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September 8, 1995

To: Members of the Executive Board

From: The Secretary

Subject: Official Financing for Developing Countries and Their Debt Situation - Background Paper

The attached paper provides background material to the report on official financing for developing countries and their debt situation (SM/95/224, 9/1/95), which is tentatively scheduled for discussion on Friday, September 15, 1995. A summary appears on pages 1 and 2.

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

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Official Financing For Developing Countries and Their Debt Situation

Prepared by the Policy Development and Review Department

(In consultation with other departments)

Approved by Jack Boorman

September 6, 1995

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Table 1. Total Net Official Financing Flows to Developing Countries, 1988-94

	1988	1989	1990	1991	1992	1993	1994 1/
			(In billions of U.S. dollars)				
Official Development Finance (ODF) 2/	61.1	60.9	69.7	69.6	69.7	69.5	65.7
Official Development Assistance (ODA) 3/	47.7	48.8	52.8	58.5	58.7	56.2	58.9
Other	13.4	12.1	16.9	11.1	11.0	13.3	6.8
Bilateral	43.6	41.7	46.0	46.7	48.6	46.0	45.0
ODA 3/	36.6	36.4	39.3	42.3	41.2	39.6	41.3
Other	7.0	5.3	6.7	4.4	7.4	6.4	3.7
Multilateral 4/	17.5	19.2	23.7	22.9	21.1	23.5	20.7
ODA	11.1	12.4	13.5	16.2	17.5	16.6	17.6
Other	6.4	6.8	10.2	6.7	3.6	6.9	3.1
			(In percent of total ODF)				
Bilateral	71.4	68.5	66.0	67.1	69.7	66.2	68.5
ODA 3/	59.9	59.8	56.4	60.8	59.1	57.0	62.9
Other	11.5	8.7	9.6	6.3	10.6	9.2	5.6
Multilateral	28.6	31.5	34.0	32.9	30.3	33.8	31.5
ODA	18.2	20.4	19.4	23.3	25.1	23.9	26.8
Other	10.5	11.2	14.6	9.6	5.2	9.9	4.7
			(In billions of U.S. dollars)				
Memorandum items:							
ODF (at 1993 prices and exchange rates)	72.6	73.0	74.7	72.2	68.1	69.5	63.0
Total net flows 5/	98.0	115.6	126.2	122.2	147.8	162.7	175.0
Net official financing to countries in transition 6/	-	-	8.1	14.5	11.4	12.4	...
Of which: net official aid	-	-	1.8	7.3	6.7	6.8	7.2
			(In percent)				
ODA share of respective ODF							
Total	78.1	80.1	75.8	84.1	84.2	80.9	89.6
Bilateral	83.9	87.3	85.4	90.6	84.8	86.1	91.8
Multilateral	63.4	64.6	57.0	70.7	82.9	70.6	85.0

Source: OECD.

1/ Provisional.

2/ See Box 1 for definition of ODF. Based on resource receipts of developing countries on part I of the OECD's DAC list of aid recipients.

3/ See Box 1 for definition of ODA. Excluding debt forgiveness of non-ODA claims (including military debt) in 1990 (US$1.5 billion), 1991 (US$1.9 billion), and 1992 (US$1.9 billion).

4/ Disbursements by multilateral institutions (see Table 2 for contributions to multilateral institutions). Includes concessional flows from the IMF.

5/ Including ODF, export credits, foreign direct investment, 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, i.e., Belarus, Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Moldova, Poland, Romania, the Russian Federation, the Slovak Republic, and Ukraine. Includes official aid, officially supported export credits and other official financing. Intra-country-in-transition flows are excluded. Receipts reported by some country authorities suggest that the OECD figures may understate the flows.

Table 2. Net ODA Disbursements from DAC Countries, 1988-94

	1988	1989	1990	1991	1992	1993	1994 1/
			(In billions of U.S. dollars)				
Total net ODA	47.1	45.7	53.0	56.7	60.9	56.4	57.8
Bilateral ODA 2/	31.9	32.9	37.2	41.3	41.2	39.3	40.2
Contributions to multilateral institutions 3/	15.1	12.8	15.8	15.4	19.6	17.1	17.6
Total net ODA (at 1993 prices and exchange rates)	57.0	56.1	57.2	59.2	59.5	56.4	55.4
Bilateral ODA	39.3	40.9	40.4	43.5	40.5	39.3	38.5
Contributions to multilateral institutions	17.7	15.2	16.8	15.7	19.0	17.1	16.9
			(In percent of donors' GNP)				
Total net ODA	0.34	0.32	0.33	0.33	0.33	0.31	0.29
Bilateral ODA	0.23	0.23	0.24	0.23	0.24	0.21	0.20
Contributions to multilateral institutions	0.11	0.09	0.09	0.10	0.09	0.10	0.09
			(In percent of total)				
Distribution 4/							
Net ODA by income group							
Least developed countries	29.9	29.2	27.3	25.6	26.6	26.4	...
Low-income countries	25.6	26.4	27.6	28.9	27.9	25.2	...
Lower middle-income countries	17.6	17.8	22.4	22.7	22.9	24.7	...
Upper middle-income countries	2.9	3.3	3.6	3.1	2.3	3.6	...
High-income countries	4.3	4.2	3.6	4.0	4.5	3.7	...
Unallocated	19.7	19.1	15.4	15.7	15.7	16.4	...
Net ODA by region							
Sub-Saharan Africa	32.1	32.8	30.8	28.5	31.1	30.8	...
North Africa and Middle East	10.9	10.2	19.9	19.5	14.9	12.0	...
Asia	26.6	27.3	22.7	24.1	25.9	25.2	...
Western Hemisphere	9.5	10.3	9.2	9.7	9.1	9.8	...
Europe 5/	1.2	0.8	2.5	3.6	3.8	5.7	...
Other 6/	19.6	18.6	14.8	14.5	15.1	16.5	...
			(In billions of U.S. dollars)				
Memorandum items:							
Total net ODA to developing countries 7/	47.7	48.8	52.8	58.5	58.7	56.2	58.9
DAC countries 2/	31.9	32.9	37.2	41.3	41.2	39.3	40.2
Multilateral institutions' disbursements	11.1	12.4	13.5	16.2	17.5	16.6	17.6
Other 8/	4.7	3.5	2.1	1.0	--	0.3	1.1
Total intra-developing country flows (net ODA) 9/	2.2	1.7	6.0	2.6	1.0	1.2	1.2

Source: OECD.

1/ Provisional.

2/ Excludes debt forgiveness of non-ODA claims (including military debt) in 1990 (US$1.5 billion), 1991 (US$1.9 billion), and 1992 (US$1.9 billion).

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

4/ Distribution of total net ODA from DAC and other sources, including unspecified. The data is not consistent with the aggregate data because the country level detail of revised aggregate data is not yet available--however, the revisions were not large.

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

6/ Oceania and unspecified.

7/ Excludes intra-developing country resource flows; based on resource receipts of developing countries, consistent with Table 1.

8/ Other industrial countries and unallocated.

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

the recent peak in 1990 and a decline of 30 percent by 1994 from the earlier peak in 1985 (Chart 1). 1/ The fall in ODF in recent years was due to declines in both multilateral and bilateral net flows, particularly in "other ODF" (i.e., non-ODA flows in ODF). Chart 2 shows in a flow chart the direction of flows.

Net bilateral ODF fell from a peak in 1992 of US$49 billion to US$45 billion in 1994, as a result of a US$3½ billion fall in other ODF (Table 1). The ODA component of bilateral flows peaked in 1991 at US$42 billion, and fell by US$1 billion in 1992-94, reflecting reduced ODA flows from countries belonging to the OECD's Development Assistance Committee (DAC) (Table 2, and section 3 below). 2/

Since 1990, net ODF disbursements from multilaterals fell by US$3 billion to just under US$21 billion in 1994 (Table 1). While the ODA component rose sharply over this period, other ODF flows fell from a peak of US$10 billion in 1990 to US$3 billion in 1994. However, the trend in multilateral financing is not clear as it has fluctuated significantly in recent years, primarily because of the large shifts in other ODF to countries in Latin America from the World Bank and the Inter-American Development Bank. Contributions to multilateral institutions from DAC countries reported as ODA peaked in 1992 at just under US$20 billion (Table 2) and declined by US$2 billion in 1993-94.

The decline in other ODF in recent years reflects the growing role of private flows in replacing non-concessional borrowing from official sources in those countries with access to international capital markets. Also, it reflects a trend toward more concessional official financing for the poorer countries with limited debt-servicing capacity (see section 3 below).

The distribution of gross bilateral official flows (ODF plus officially supported export credits) among developing countries shows an increase in the share of financing of upper middle-income and high-income countries in 1992-93 compared to 1989-91, at the expense of least developed, low-income, and lower middle-income countries (Table 3). This reflected increased non-ODA flows (including official export credits) to some upper middle-income and high-income developing countries in Latin America, Asia, and the Middle East, and a lower share of financing to low-income and least developed countries in sub-Saharan Africa (particularly because of sharply lower non-ODA flows to Nigeria). 3/ Low-income and lower middle-income

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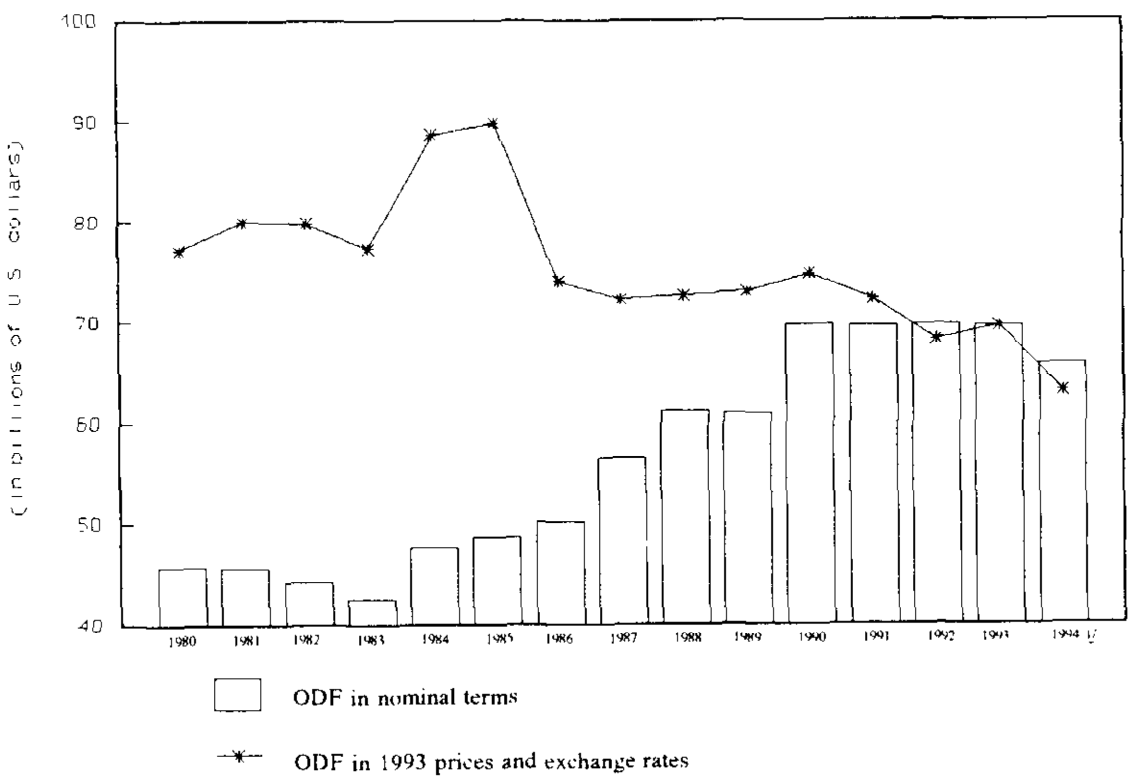
1/ The OECD records flows in real terms by adjusting for inflation and changes in the exchange rate between the currency concerned and the U.S. dollar. The latest available series is based on 1993 prices and exchange rates.

2/ The Development Assistance Committee (DAC) is a specialized committee of the OECD which deals with foreign aid matters.

3/ For a description of developments in export credits, see Chapter III.

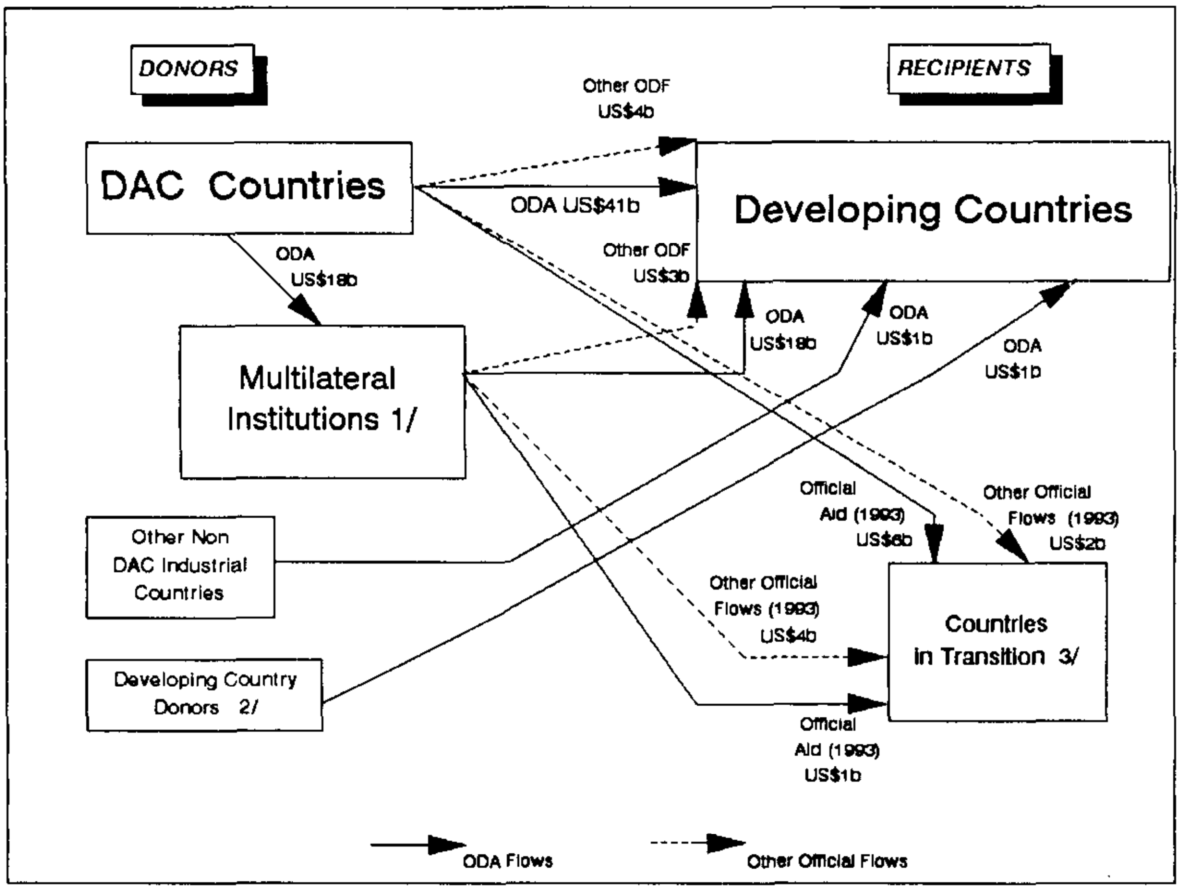
Chart 1. Net Official Development Finance (ODF) Flows to Developing Countries, 1980-94



Sources: OECD, as in Table 1.

1/ Provisional

Chart 2: Direction of Net Official Flows in 1994



Sources: Tables 1 and 2, and IMF estimates.

1/ In earlier years, multilateral disbursements (including from the IMF) differed from DAC countries' contributions to multilaterals.

2/ Mostly Arab countries.

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

Table 3. Gross Disbursements of Official Bilateral Financing from DAC Countries by Region and Income Group, 1989-93

	1989	1990	1991	1992	1993 1/
			(In percent of group total)		
Gross bilateral official disbursements 2/					
By region					
Sub-Saharan Africa	20.1	21.5	17.2	16.7	15.3
North Africa and Middle East	21.3	22.2	28.4	18.9	17.9
Asia	25.9	25.3	23.7	29.1	33.7
Western Hemisphere	18.1	18.0	17.0	22.3	18.9
Europe	4.0	3.4	3.7	3.6	3.6
Other (Oceania and unallocated)	10.7	9.7	10.1	9.5	10.6
By income group					
Least developed countries	12.8	14.4	12.6	11.7	11.2
Low-income countries	29.0	26.4	30.2	24.9	27.4
Lower middle-income countries	30.8	31.2	29.1	29.5	28.5
Upper middle-income countries	13.2	13.7	12.1	17.2	15.2
High-income countries	4.6	4.5	5.7	6.9	8.2
Unallocated	9.7	9.8	10.4	9.7	9.5
Gross bilateral ODA disbursements 3/					
By region					
Sub-Saharan Africa	27.8	31.1	22.4	24.9	24.2
North Africa and Middle East	12.1	16.1	26.1	16.6	15.5
Asia	29.1	24.9	22.0	27.7	26.2
Western Hemisphere	10.6	9.5	12.4	10.5	12.7
Europe	2.0	2.7	3.3	3.7	4.2
Other (Oceania and unallocated)	18.3	15.7	13.7	16.6	17.1
By income group					
Least developed countries	22.9	22.7	18.2	19.6	19.4
Low-income countries	28.3	28.7	36.1	28.3	28.1
Lower middle-income countries	20.8	23.3	23.2	25.3	26.9
Upper middle-income countries	5.1	4.9	4.0	4.6	5.2
High-income countries	5.6	5.0	4.7	6.1	4.7
Unallocated	17.5	15.4	13.8	16.2	15.7
			(In billions U.S. dollars)		
Memorandum items:					
Gross bilateral ODA disbursements 3/	36.3	44.7	55.7	49.2	48.4
By Region					
Sub-Saharan Africa	10.1	13.9	12.5	12.3	11.7
North Africa and Middle East	4.4	7.2	14.6	8.2	7.5
Asia	10.6	11.1	12.3	13.6	12.7
Western Hemisphere	3.9	4.3	6.9	5.2	6.2
Europe	0.7	1.2	1.8	1.8	2.0
Oceania	1.3	1.2	1.2	1.4	1.4
Unallocated	5.4	5.8	6.4	6.8	6.9

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

1/ Provisional.
2/ Total official flows defined as grants, gross ODA loans, and other gross contractual lending, including official export credits.
3/ The data is not consistent with the aggregate data for net ODA in Tables 1 and 2 because the country level detail for the gross ODA equivalent of the revised data in Tables 1 and 2 is not yet available--however, the revisions were not large.

countries in Asia experienced a significant increase in official flows (mainly non-ODA) in 1992-93 compared with 1989-91, particularly to China, India, Indonesia, and the Philippines. However, the share of total official flows to all low-income and lower middle-income countries declined because of a sharp decline in flows to several countries in North Africa and the Middle East included in these income groups (particularly Egypt, Iran, and Turkey), which more than offset the increased flows to Asian countries in these income groups.

Net official financing flows to countries in transition (not included in developing countries) remained large in recent years (see Box 2).

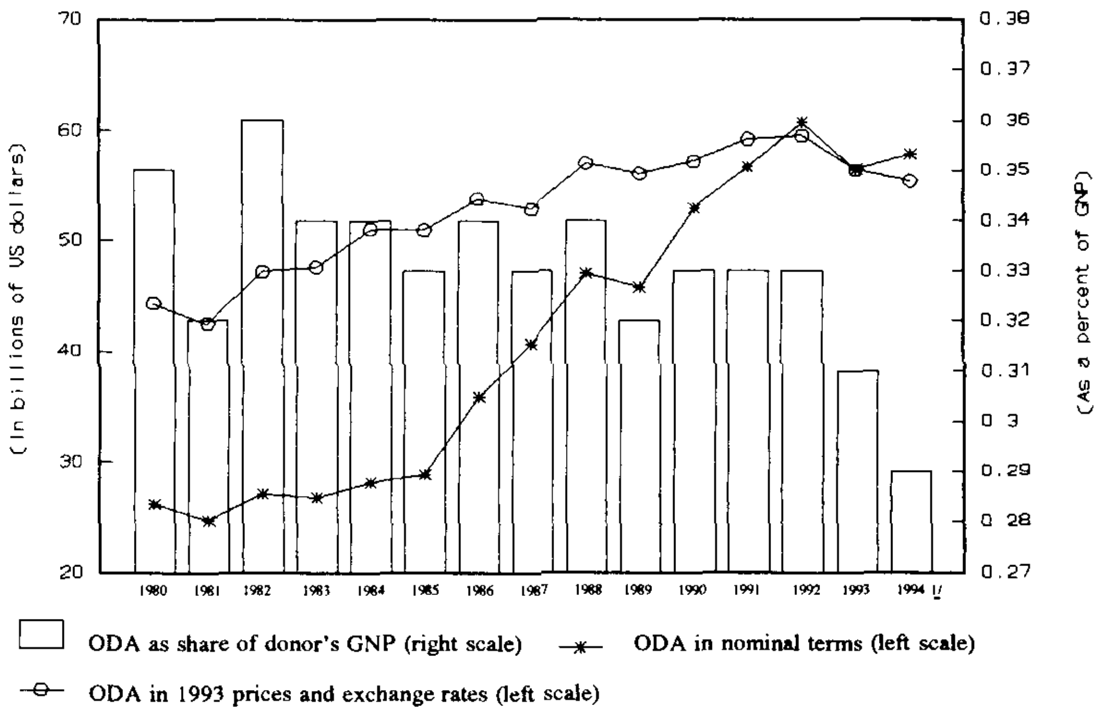
3. Developments in total net ODA in recent years

ODA has become increasingly the most significant instrument of official development financing, comprising 90 percent of total ODF in 1994, in net terms (Table 1), a rise of 10 percentage points over 1989. The share of ODA in net multilateral flows has risen sharply--by 20 percentage points since 1989 to reach 85 percent--though it remains below the bilateral share (92 percent).

Total net ODA (including contributions to multilateral institutions) from countries belonging to the DAC increased from US$56½ billion in 1993 to US$58 billion in 1994, but remained below the historical peak of US$61 billion in 1992 (Table 2). 1/ Adjusting for inflation and exchange rate fluctuations, net ODA declined in 1994 by 2 percent, and the ratio of net ODA to donors' GNP declined to 0.29 percent (Chart 3), the lowest level since 1973. However, despite the recent declines, ODA in 1994 was around 8 percent above the average for the mid-1980s in real terms (i.e., at constant (1993) prices and exchange rates).

1/ Two measures of total net ODA are available. The first measure records the receipt of resources by developing countries, i.e., the sum of the disbursements of concessional development finance by multilateral institutions and bilateral donors, as shown in Table 1 (and the memorandum items in Table 2). The second measure sums the disbursements by DAC countries directly to aid recipients (bilateral ODA) and DAC countries' contributions to multilateral institutions, as presented in Table 2. The latter measure is the most commonly used for assessment of the aid performance of DAC members and analysis of trends, as it provides a measure of resources available to multilateral institutions for future disbursements. The measures generally differ because of delays between contributions to multilateral institutions by bilateral donors and disbursements by multilateral institutions to aid recipients, and because developing countries receive resources from non-DAC donors (including intra-developing country flows) (see Chart 2).

Chart 3. Net ODA Disbursements, 1980-94



Sources: OECD, as in Table 2.

1/ Provisional

Box 2. Official Financing Flows to Countries in Transition

Countries in transition not included in the DAC list of developing countries[1] (and not included in ODF) increased their share of official financing from OECD countries in recent years. They received around US$12½ billion in "official aid" and other official financing (including officially supported export credits) in 1993 (Table 1), though this is below the peak level of 1991 (US$14½ billion).[2] Almost half of the 1993 flows were in the form of "official aid".[3] Poland, the Russian Federation, and Ukraine received the bulk of these flows.

For the Baltic countries and the other countries of the former Soviet Union other than Russia, the official flows from OECD donors were small in 1993 relative to the flows received from the Russian Federation in earlier years. The flows received from the Russian Federation by other countries (excluding the Baltic countries) in 1992 were equivalent to around 20 percent of these countries' combined GDP and in some cases (Georgia, Tajikistan, Turkmenistan, and Uzbekistan) amounted to one third or more of estimated GDP; these flows declined in 1993 and 1994.

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[1]Belarus, Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Moldova, Poland, Romania, the Russian Federation, the Slovak Republic, and Ukraine. These countries are on Part II of the DAC list of aid recipients, whereas Part I includes developing countries.

[2]Receipts of official financing reported by some country authorities suggest that the OECD figures may understate the flows. Also, OECD data exclude flows between countries in transition.

[3]"Official aid" is defined by the DAC to mean flows which meet the conditions of eligibility for inclusion in ODA except that the recipients are on Part II of the DAC list of aid recipients, i.e., flows which are undertaken by the official sector with promotion of economic development and welfare as the main objective and with a grant element of at least 25 percent (at a discount rate of 10 percent).

Bilateral ODA from DAC countries peaked in 1991 at US$41 billion and fell by 3 percent to US$40 billion in 1994 (Table 2). In real terms, the decline in bilateral ODA was more marked--a fall of 11½ percent from 1991 to 1994. As a percent of GNP, bilateral ODA fell to 0.20 percent compared with the plateau of 0.23-0.24 percent in 1988-92.

DAC countries' contributions to multilateral institutions peaked at just under US$20 billion in 1992 (Table 2), before declining to around US$17½ billion in 1993/94--a decline in real terms of around 11 percent.

Six of the ten largest DAC donors recorded falls in the real level of total net ODA disbursements in 1994, with Italy recording a dramatic fall--36 percent of the 1993 level (in 1993 prices and exchange rates), or more than US$1 billion (Table 4). The falls were offset, in part, by a large increase in ODA from Japan (almost US$0.9 billion in 1993 prices and exchange rates), and smaller increases from three other major donors (Denmark, France, and the United Kingdom).

Table 4. Net ODA Disbursements by Major DAC Donors, 1989-94

	At current prices						At 1993 prices and exchange rates	Change 1993/94		Share of donor's GNP
	1989	1990	1991 1/	1992 1/	1993 1/	1994 Prov.	1994 Prov.	At current prices	At 1993 prices and exchange rates	1994 Prov.
	(In billions of U.S. dollars)							(In percent)		
Canada	2.3	2.5	2.6	2.5	2.4	2.2	2.3	-6.0	-1.1	0.42
Denmark	0.9	1.2	1.2	1.4	1.3	1.5	1.4	8.2	2.5	1.03
France	5.8	7.2	7.4	8.3	7.9	8.4	8.2	6.7	3.2	0.64
Germany	4.9	6.3	6.9	7.6	7.0	6.8	6.5	-2.9	-6.9	0.33
Italy	3.6	3.4	3.3	4.1	3.0	2.0	2.0	-35.4	-35.8	0.20
Japan	9.0	9.1	11.0	11.2	11.3	13.2	12.1	17.6	7.9	0.29
Netherlands	2.1	2.5	2.5	2.8	2.5	2.5	2.4	0.2	-3.6	0.76
Sweden	1.8	2.0	2.1	2.5	1.8	1.7	1.6	-3.7	-7.3	0.90
United Kingdom	2.6	2.6	3.2	3.2	2.9	3.2	3.0	10.0	1.5	0.30
United States	7.7	11.4	11.3	11.7	10.1	9.9	9.6	-2.9	-4.9	0.15
Ten major donors above 2/	40.7	46.6	49.6	53.3	50.2	51.4	49.2	2.3	-2.2	...
Other DAC donors 3/	5.0	6.3	7.1	7.5	6.2	6.4	6.2	4.8	-0.5	...
Total DAC 2/	45.7	53.0	56.7	60.9	56.4	57.8	55.4	2.5	-1.8	0.29
(in percent of GNP)	0.32	0.33	0.33	0.33	0.31	0.29				

Source: OECD.

1/ Includes debt forgiveness of non-ODA claims.
2/ Excludes debt forgiveness of non-ODA claims.
3/ Includes Australia, Austria, Belgium, Finland, Ireland, Luxembourg, New Zealand, Norway, Portugal, Spain, and Switzerland.

The main reason for the decline in the real level of ODA in recent years was budgetary constraints in many donor countries. 1/ These are likely to continue for the near future as most of the major donor countries, with the exception of France, Japan and the Netherlands, are budgeting a reduction in aid as a share of their GDP in the near term and--in some cases--also a significant decline in real terms. 2/ In addition, since 1990, the increased demands for aid from the countries in transition, most of which are not included in the group of developing countries, was a factor in reducing the flows to developing countries (see Box 2). Special factors in recent years included reduced flows to multilateral development banks due to the timing of replenishment cycles, delays in replenishing the African Development Fund, the absence of large debt forgiveness and reorganizations (see Box 3), and lower ODA expenses on emergency assistance to refugees in the donor countries. 3/

There has been a trend toward <u>more concessional terms for ODA</u> from DAC countries over the past decade. The average grant element of total ODA for the ten largest DAC donors increased from around 91 percent in 1981-82 to 94 percent in 1992-93. 4/ Several donors are now extending aid almost exclusively in the form of grants, particularly to the Least Developed Countries, where the grant element of ODA for the ten largest DAC donors averaged 98 percent in 1992-93. Only two DAC donors (Japan and Spain) recorded a grant element for total ODA of less than 85 percent in 1992-93.

Although data on flows from <u>non-DAC donors</u> is sketchy, net ODA from non-DAC donors (mainly Arab countries) apparently fell substantially from the peak in 1990 (see intra-developing country flows and other flows in the memorandum items of Table 2), reflecting tighter budget constraints in the aftermath of the Gulf war. Official financing from new sources, such as China, Korea, and Taiwan Province of China, remained small relative to total flows (Chart 2).

1/ The dramatic fall in ODA from Italy was also driven by concerns about aid effectiveness.

2/ See "Bilateral and Multilateral Aid Flows and Fund-Supported Programs" (SM/95/73 Supplement 1, 4/25/95) and Chairman's Summing Up (Buff 95/48, 6/6/95) for a discussion of the outlook for ODA.

3/ Such expenses are recorded as ODA only in the first year upon the arrival of refugees, but not subsequently. Several European countries had an influx of refugees in 1992 and 1993, but less so in 1994, and this ODA component became less significant.

4/ Calculated at a 10 percent discount rate as described in Box 1.

Box 3. Debt Relief and ODA

Donor countries include debt forgiveness as ODA by recording the disbursement of an official grant equivalent to the amount of principal and interest due on the loans forgiven (recorded in the year the payments were scheduled to be made). At the same time, principal payments on ODA loans forgiven are recorded as negative ODA in the year the payments were scheduled (interest received is not recorded as negative ODA). For example, if an outstanding ODA loan of US$100 million is forgiven, on which principal was to be paid in equal installments over 10 years, then debt relief recorded as ODA would be US$10 million annually over 10 years (plus interest forgiven). At the same time, US$10 million would be recorded annually as principal payments to the donor (negative ODA) as if the loan continued to be serviced as scheduled.[1]

Debt forgiveness of ODA claims has been consistently recorded as part of ODA flows. However, the treatment by the DAC of debt forgiveness of non-ODA claims has varied in recent years. Up to and including 1989, where forgiveness of non-ODA debt met the tests of ODA (including that it be implemented for the purposes of promoting the development or welfare of the aid recipient), it was reportable as ODA. From 1990 to 1992, it remained reportable as ODA but was excluded from the DAC total. From 1993, forgiveness of debt originally intended for military purposes is excluded from ODA and is reportable as "other official flows". Also from 1993, forgiveness of other non-ODA loans is recorded as ODA (where it meets the tests of ODA) as it was until 1989.

Debt reorganization[2] is included as ODA if it is extended by the official sector, implemented for the purposes of promoting the development or welfare of the recipient, and conveys a grant element of at least 25 percent (calculated at a discount rate of 10 percent).

In the case of refinancing, the gross disbursement is recorded as an ODA loan (or other official flows if it does not meet the tests of ODA) while the original loan is stricken from the record. Principal payments on the refinanced loan are recorded as negative ODA. In the case of rescheduling, the interest capitalization is recorded as an additional disbursement of ODA (or other official flows if it does not meet the tests of ODA).

Debt forgiveness by DAC donors on ODA and non-ODA claims recorded as ODA was US$2.7 billion in 1993, well below the peak of US$6 billion in 1991, which included significant debt relief extended to Egypt and Poland. Debt forgiveness of non-ODA claims, included in individual donor ODA figures in 1990-92 but excluded from the DAC total for ODA, amounted to US$1.5 billion in 1990, US$1.9 billion in 1991, and US$1.9 billion in 1992--the bulk of this debt forgiveness was extended by the United States. Loans for debt reorganization recorded as ODA were US$1.6 billion in 1993, well below the 1991 peak of US$5.9 billion--with again the United States providing the bulk of these loans.

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[1]The result of the debt forgiveness is thus a positive net ODA (equal to the interest forgiven); in the absence of forgiveness and assuming the loan was being serviced, net ODA would have been negative (equal to the principal repaid).

[2]For the purposes of DAC statistics, debt reorganization includes rescheduling (maturity extension of loans where the ex-post claim is held by a government or official agency) and refinancing (extension by a government or official agency of a new loan which replaces previous claims, irrespective of the sector of the original holder.)

4. Developments in the direction of gross disbursements of bilateral ODA

Changes in the regional pattern of gross disbursements of bilateral ODA were dominated by a large decline in the share of ODA to North Africa and the Middle East (by 10½ percentage points between 1991 and 1993) (Table 3). This was primarily due to reduced flows to Egypt following large flows in 1990-91 (which included significant debt relief). In turn the shares of ODA to Asia, Europe, and sub-Saharan Africa recorded significant increases over 1991-93. ODA to European countries also rose as a result of a significant increase in assistance to the successor states of the former SFRY, including emergency and distress relief.

The distribution of bilateral ODA by income group of recipients since 1989-90 shows an increase in the share of lower middle-income countries (by around 5 percentage points) in part due to increased emergency flows to the successor states of the former SFRY; this was largely at the expense of least developed countries: their share declined by 3½ percentage points. The sharp increase in the share of low-income countries in 1991 was subsequently reversed, mainly due to reduced flows to the low-income countries in the Middle East and North Africa (Table 3). There was little change in the income distribution of ODA between 1992 and 1993, with low-income and lower middle-income countries accounting for about 27-28 percent of ODA each in 1993, and least developed countries accounting for almost 20 percent in 1993.

The developments in flows by region and income groups mask important trends in support for countries undertaking sound economic adjustment programs (see Box 4).

Box 4. ODA and Economic Adjustment

In recent years, there appears to have been a reasonably close relationship between ODA flows and the pursuit of economic adjustment programs. Within the group of low-income countries, in particular, bilateral ODA to countries pursuing IMF-supported adjustment programs grew more rapidly than to those countries without such programs (Table 5). For example, the 41 ESAF-eligible countries with IMF arrangements completed in 1990-93 experienced a 35 percent increase in bilateral net ODA on average from 1987-89 to 1990-93 compared with an increase of 6½ percent for ESAF-eligible countries without IMF arrangements (an increase of 18 percent if China is included). Some countries pursuing IMF-supported programs recorded remarkable increases in net ODA flows--for instance, Uganda completed three annual ESAF arrangements before end-1993 and received almost twice the level of ODA flows on average in 1990-93 compared with the average for 1987-89. Low-income rescheduling countries recorded a 33 percent increase in bilateral net ODA flows over the same period, slightly more than the increase for all developing countries.

Within the group of non-ESAF-eligible developing countries, those countries that pursued IMF-supported adjustment programs of at least one year in 1990-93 experienced a 42 percent increase in net ODA flows over the period 1987-89 to 1990-93. This compares with an increase of 31 percent for non-ESAF-eligible developing countries that did not pursue a Fund-supported program for at least one year in 1990-93.

5. Recent major trends in bilateral aid donor policies 1/

Donors are attempting to reshape aid policies and practices following the dramatic political changes in recent years--the end to the Cold War, new claims on aid from the countries in transition, and new demands such as emergency assistance (Box 5)--and in response to domestic pressure to reduce aid budgets. With decreased emphasis on geopolitical concerns, donors see greater scope to adapt aid policies to be more consistent with the basic objective of aid, namely, promotion of long-term economic development and welfare in developing countries, with a renewed focus on reducing poverty and encouraging good governance.

1/ Based on discussions by a small staff team with staffs of bilateral aid agencies in the following countries: Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom, and the United States in the period June 1994 to February 1995. A more complete discussion of aid donor policies was provided in "Bilateral and Multilateral Aid Flows and Fund-Supported Programs" (SM/95/73 Supplement 1, 4/25/95).

Table 5. Bilateral Net ODA Flows to Developing Countries by Country and Status of IMF-Supported Program, 1987-93

	1987	1988	1989	1990	1991	1992	1993	period average 1987-89	period average 1990-93	Change
				(In millions of U.S. dollars)						(In percent)
ESAF-eligible countries	13,843	16,143	15,989	19,667	21,344	20,819	17,497	15,325	19,832	29.4
Completed three annual ESAF arrangements 1/	2,487	2,941	3,176	3,627	3,394	3,691	3,152	2,868	3,466	20.8
Bangladesh	927	931	972	1,103	812	853	669	943	859	-8.9
Bolivia	213	233	308	365	356	502	419	251	410	63.3
Gambia, The	51	55	56	57	55	50	50	54	53	-1.5
Ghana	131	236	352	265	449	333	309	239	339	41.4
Guyana	15	16	27	36	35	26	24	19	30	58.6
Malawi	170	181	182	216	209	208	160	178	198	11.5
Mozambique	535	732	579	752	772	1,010	811	616	836	35.8
Senegal	359	369	537	589	421	454	363	421	457	8.4
Uganda	87	188	164	244	285	255	347	146	283	93.6
Completed one or two annual ESAF arrangements 1/	3,316	3,910	3,849	4,506	4,288	4,194	3,619	3,692	4,151	12.5
Benin	77	93	149	126	160	171	148	107	151	41.9
Burundi	88	83	90	158	123	149	145	87	144	65.6
Guinea	120	160	192	139	173	234	181	157	182	15.8
Honduras	223	256	213	384	225	207	192	230	252	9.3
Kenya	444	610	621	735	608	520	428	558	573	2.6
Lesotho	63	70	74	85	74	69	74	69	76	10.0
Madagascar	181	214	175	268	274	216	231	190	247	30.0
Mali	222	260	301	313	280	239	220	261	263	0.7
Mauritania	98	114	162	106	110	116	196	125	132	6.2
Nepal	190	225	249	239	290	276	246	221	263	18.8
Niger	215	242	200	255	264	262	252	219	258	18.0
Sri Lanka	326	436	397	404	458	249	273	386	346	-10.5
Tanzania	719	786	692	844	764	816	645	733	767	4.7
Togo	86	128	108	155	125	135	79	107	123	14.8
Zimbabwe	265	233	228	296	359	536	310	242	375	55.1
Other IMF-supported programs of at least one year in 1990-93 2/	5,188	6,150	5,866	8,152	10,665	9,630	7,444	5,735	8,973	56.5
Total of IMF-supported programs completed	10,991	13,000	12,892	16,285	18,346	17,514	14,215	12,294	16,590	34.9
No IMF-supported program in 1990-93 3/	2,853	3,143	3,097	3,382	2,997	3,305	3,282	3,017	3,213	6.5
Non-ESAF-eligible countries	8,843	8,743	9,203	10,798	13,004	12,322	11,756	8,930	11,970	34.0
IMF-supported programs of at least one year in 1990-93 4/	2,171	2,142	2,287	2,999	3,505	3,338	2,681	2,200	3,131	42.3
No IMF-supported program in 1990-93 5/	6,673	6,601	6,917	7,799	9,499	8,984	9,075	6,730	8,839	31.3
Unallocated	5,329	5,846	6,237	6,716	7,655	7,917	7,443	5,804	7,433	28.1
China	863	1,215	1,497	1,512	1,253	2,077	2,245	1,192	1,772	48.7
Total 6/	28,878	31,947	32,926	38,693	43,255	43,135	38,941	31,250	41,006	31.2
Memorandum items:										
Low-income rescheduling countries 7/	5,988	7,139	6,980	8,782	8,494	9,657	8,639	6,702	8,893	32.7
ESAF-eligible countries with no IMF-supported program, including China	3,715	4,357	4,595	4,894	4,250	5,382	5,527	4,208	4,985	18.4

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

1/ Defined as those annual arrangements under the ESAF where the mid-term review was completed before end-1993.

2/ Includes ESAF arrangements in 1990-93 where one mid-term review was completed by end-1993. Includes SAF arrangements of at least one year in 1990 93. Includes SBA arrangements of at least one year in 1990-93 where at least one-third of the total disbursements were made. Does not include STF programs and CCFFs. Includes Sierra Leone and Zambia with Rights Accumulation Programs in 1990-93.

3/ Excludes China, but includes all ESAF-eligible countries that were not classified elsewhere.

4/ Includes SBAs of at least one year in 1990-93 where at least one-third of the total disbursements were made. Also, includes EFF arrangements of at least one year. Does not include STF programs and CCFFs.

5/ Includes all non-ESAF-eligible countries not classified elsewhere.

6/ The total differs from total bilateral ODA in Tables 1 and 2 because forgiveness of non-ODA debt is included in 1990-92 and revised data presented in Tables 1 and 2 is not yet available at the country level (the differences due to the latter reason are not significant).

7/ Includes low-income countries that rescheduled debt with the Paris Club in the period 1987-93 (see Table 14, column 1). These countries are: Angola, Benin, Bolivia, Burkina Faso, Cameroon, C.A.R., Chad, Côte d'Ivoire, Equatorial Guinea, Ethiopia, the Gambia, Guinea, Guinea-Bissau, Guyana, Honduras, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nicaragua, Niger, Senegal, Sierra Leone, Somalia, Tanzania, Togo, Uganda, Viet Nam, Zaïre, and Zambia.

Box 5. Emergency Assistance

The rise in local conflicts and civil disorder in recent years has led to a sharp increase in emergency aid and peacekeeping operations by many donors, which to a large extent have been financed from aid budgets. Emergency assistance and distress relief from DAC donors exceeded 8 percent of total bilateral aid in 1993, from under 3 percent until 1990. In the wake of increasing budget constraints in donor countries, this has put pressure on other areas in aid budgets.

Following the recent needs for emergency aid in Haiti, Rwanda, Somalia, and the countries of the former Socialist Federal Republic of Yugoslavia, many donors are putting more emphasis on finding ways to prevent conflict and deal with countries in, or emerging from, conflict. There is a general view that emergency assistance will continue to place heavy demands on aid budgets, to the detriment of more development-oriented aid. Donors accept that emergency aid has to be incorporated more effectively into aid budgets, but the lessons and implications from recent experience remain to be fully evaluated.

Donors' decisions on aid to individual recipients are influenced by numerous, often conflicting, factors. While many donors have established criteria to assess the recipient countries' policy performance, they retain the flexibility to weigh the importance of any perceived shortcoming in performance against factors such as the strategic importance of the country or the extent of historical, political, and economic ties.

The pressure on aid budgets and growing public concerns reported by some donor countries about aid money being wasted have led donors to intensify their efforts to improve the effectiveness of aid. 1/ Donors have also responded to the criticism that aid does not reach those in need

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1/ The DAC has established principles and orientations in several areas, in particular: the Principles for Program Assistance; Principles for Effective Aid; Disciplines on Tied Aid Credits; Orientations on Participatory Development and Good Governance; and Orientations for Development Cooperation in Support of Private Sector Development (see Box 2 on Direct Financing of the Private Sector in Section II of "Bilateral and Multilateral Aid Flows and Fund Supported Programs: Background Paper" (SM/95/96, 5/5/95)).

at the grass-roots level by placing more emphasis on providing aid through non-governmental organizations (NGOs) that take a grass-roots approach. 1/

a. Poverty reduction

Donors reported that their increased focus on poverty reduction has taken two main forms: an increasing concentration on support for low-income countries pursuing sound policies to encourage economic growth, particularly employment growth; and support for projects and programs aimed at poverty reduction.

The focus on poverty reduction at a time of hardening budget constraints has led donors increasingly to concentrate aid on low-income countries among the traditional aid recipients. Several donors have narrowed the list of aid beneficiaries by graduating countries that have achieved a higher income level and are benefitting from trade and private capital inflows. In some cases, the demand for aid from these better performing countries has been reduced, particularly as the private sector has become involved in the provision of economic infrastructure. 2/

Among the low-income countries, donors are placing more emphasis on supporting countries with a demonstrable commitment to sound macroeconomic policies and market-based structural reforms, with an emphasis on sustainable private sector development, in an attempt to ensure more effective use of scarce resources. This stems from the almost universal recognition of the key role of private-sector-led growth in creating jobs and reducing poverty on a sustained basis.

Several bilateral donors are also placing more emphasis on direct policies for poverty reduction within individual country programs. Increasingly, donors are moving from traditional development projects (such as infrastructure) to support for the social sector, recognizing the key role of investment in human capital for poverty reduction. 3/ This change in focus includes directing support to specific programs and projects targeted at the poor (e.g., programs targeted at women in rural areas) and supporting policies that have a wide impact on the poor (such as public expenditure on health and education).

1/ For example, government support for NGOs was around 7-9 percent of total ODA in Canada, the Netherlands, and Sweden and exceeded 18 percent of total ODA in Switzerland in 1992/93. (See Box 1 on aid channelled through NGOs in Section II of "Bilateral and Multilateral Aid Flows and Fund Supported Programs: Background Paper" (SM/95/96, 5/5/95)).

2/ See the paper for the Development Committee on "The Financing of Infrastructure in Developing Countries" (EB/CW/DC/95/1).

3/ The World Bank's World Development Report 1991 discussed the role of investment in human capital in economic development.

b. Good governance

With the end of the Cold War, many donors have focused increasingly on promoting a political and legal environment that is conducive to economic growth and widespread participation in the economic and political life of recipient countries. In aid decisions, greater account--in varying degrees across donors--is being taken of the recipient countries' record on such issues as human rights, progress toward democracy, good governance, and participatory development. Several donors have established formal or informal criteria for assessing political and economic aspects of governance.

The implementation of donor policies has been nuanced. In cases where governance has been poor, but the recipient country authorities have shown a willingness to address the problems, donors generally have worked with countries to strengthen performance. Often donor assistance has taken the form of technical assistance, such as strengthening the legal framework and building democratic institutions. In other cases where governance is judged to be so poor as to preclude an effective relationship, some donors have scaled down their assistance. This course of action is often coordinated within the donor community in the context of local donor coordination, consultative groups, or regional cooperation such as in the context of the European Union.

III. Recent Developments in Export Credits

1. Summary

- Officially supported export credits represent a large share in the external debt of developing countries and economies in transition. In 1992, they accounted for more than 20 percent of the total external indebtedness of these countries, and 37 percent of their indebtedness to official creditors.

- There has been a sharp increase in total export credit exposure to developing countries and economies in transition in recent years largely reflecting new export credit commitments, especially to some large low-income countries.

- The financial performance--measured by net cash flow--of most export credit agencies has remained weak.

- In response, almost all agencies have taken steps to improve their risk assessment procedures.

- A tightening of the rules governing the provisions of tied-aid or "mixed" credits was agreed in August 1994 (the "Schaerer Package").

2. Total export credits 1/

Total export credit exposure to developing countries and economies in transition increased from an estimated US$380 billion at end-1993 to around US$420 billion at the end of 1994 (Chart 4). 2/ The increase in total export credit exposure to developing countries and economies in transition in recent years is attributable to some extent to an increase in agencies' exposure in the form of arrears and unrecovered claims (resulting from payment of insurance claims by agencies, usually in the context of Paris Club reschedulings). However, the most important source of increases in exposure since 1992 has been an increase in new export credit commitments, driven in part by more aggressive export promotion as well as a resurgence of import demand by many developing countries.

Chart 5, which is based on Berne Union data, shows new commitments by export credit agencies from 1988 to 1994. During this period, annual new export credit commitments to developing countries and economies in transition rose from US$24 billion in 1988 to US$60-70 billion in 1991-93,

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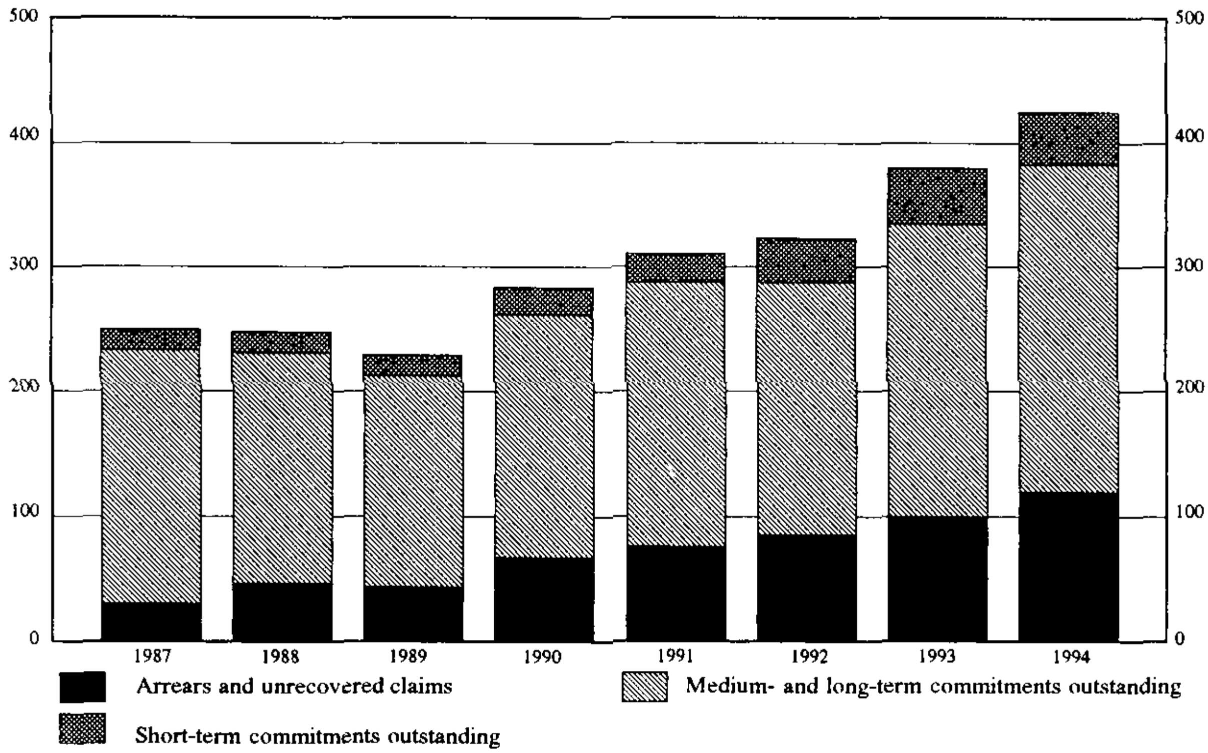
1/ For a detailed description of the role of export credit agencies in financing developing countries and economies in transition, and of the basic features of official support for export credits, see "Officially Supported Export Credits - Developments and Prospects" (SM/94/230, 8/26/94). A version of this paper was also published, under the same title, in March 1995 as part of the World Economic and Financial Surveys series. A glossary of terms used in export credits is also contained in the published paper (Appendix I). This section updates the information provided in the earlier papers based on information from the International Union of Credit and Investment Insurers (the Berne Union), the OECD, and individual export credit agencies.

2/ While the trends reported here are clear, specific figures need to be interpreted with caution. The problems that arise in discussing export credit statistics are discussed in detail in SM/94/230, Annex II. Figures supplied by the Berne Union for 1994 are on a wider basis than for earlier years as they include data reported by some smaller export credit agencies. The Berne Union also expanded its debtor country coverage by 19 countries in 1994; total export credit exposure to these countries amounted to US$9.2 billion, of which US$0.9 billion was in the form of short-term commitments and US$0.5 billion was in the form of arrears and unrecovered claims.

Chart 4. Export Credit Exposure, 1987-94

(In billions of U.S. dollars)

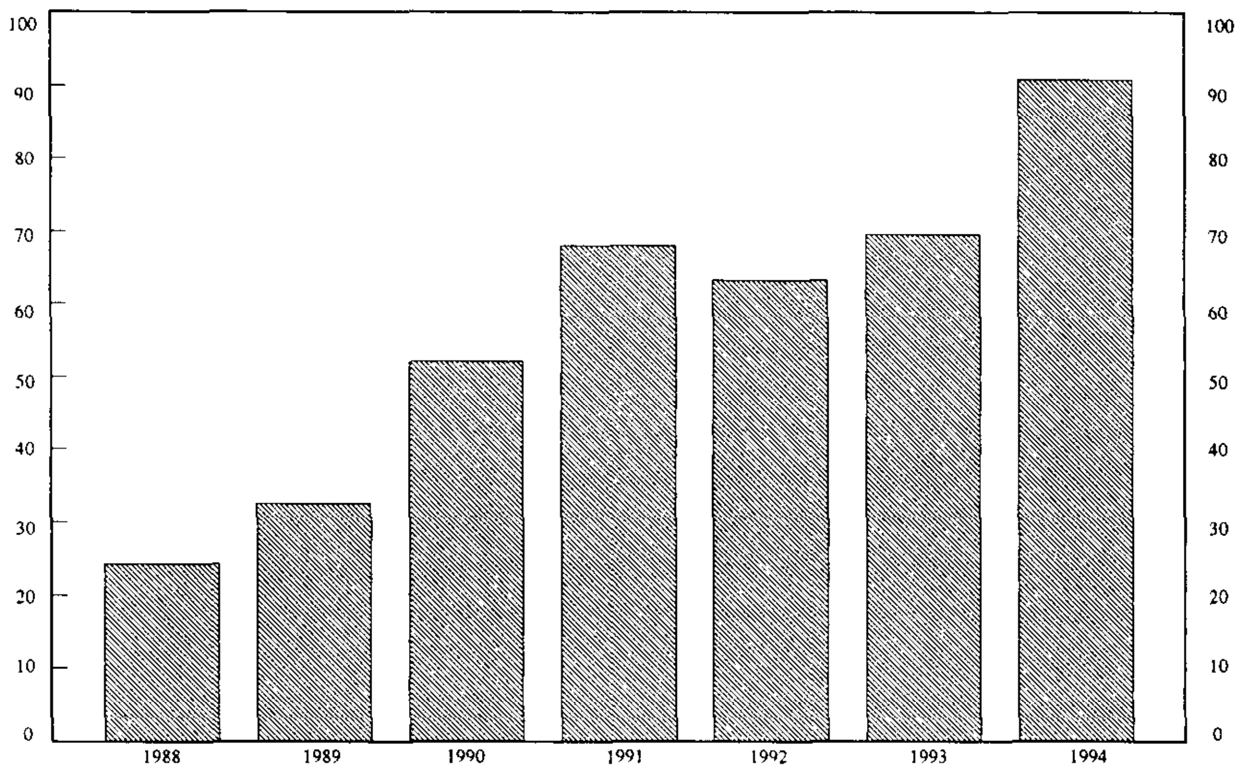


Sources: Berne Union; and IMF staff estimates.

1/ For definitions of the concepts used in this chart, see "Officially Supported Export Credits - Recent Developments and Prospects", World Economic and Financial Surveys, March 1995.

Chart 5. Officially Supported Export Credits: New Commitments, 1988-94

(In billions of U.S. dollars)



Sources: Berne Union; and IMF staff estimates.

and again to US$90 billion in 1994. 1/ This overall increase in new commitments masks substantial variations among countries. There was a marked increase in new commitments to low-income countries, mostly to some of the largest countries such as China, India and Indonesia, while some other countries attracted little new finance. In particular, new commitments to heavily indebted poor countries in 1994 remained low. 2/

3. Financial performance of export credit agencies

Despite the increase in export credit activity, the financial performance of most export credit agencies has remained weak, as measured by net cash flow, the indicator of financial performance most commonly used by the agencies themselves. Throughout the late 1980s and early 1990s new claims payments, which have been over US$10 billion in each year since 1990, have exceeded premium income and recoveries by a wide margin. Chart 6 shows the effect on agencies' net cash flow of premium income, recoveries, and claims in the period 1990 to 1994. Claims in 1994 increased to over US$14 billion, reflecting in part rescheduling agreements with Algeria and the Russian Federation. This was offset by an increase in recoveries (in part arising from refinancings for Iran) and in premia (arising mostly from higher new commitments) so that the combined cash-flow deficit of export credit agencies in 1994 was US$5.5 billion, down from US$6.2 billion in 1993.

In response to continued deficits, almost all agencies have in recent years taken steps to improve their risk assessment procedures. All agencies have now moved towards more realistic pricing of political risk. This has been reflected in a steady rise in premium income over the last several years. Agencies have also developed a set of criteria for country-risk assessments, in many cases relying heavily on quantitative indicators. Agencies reported that they attach most weight to payments and economic performance, including performance under Fund arrangements. Agencies also

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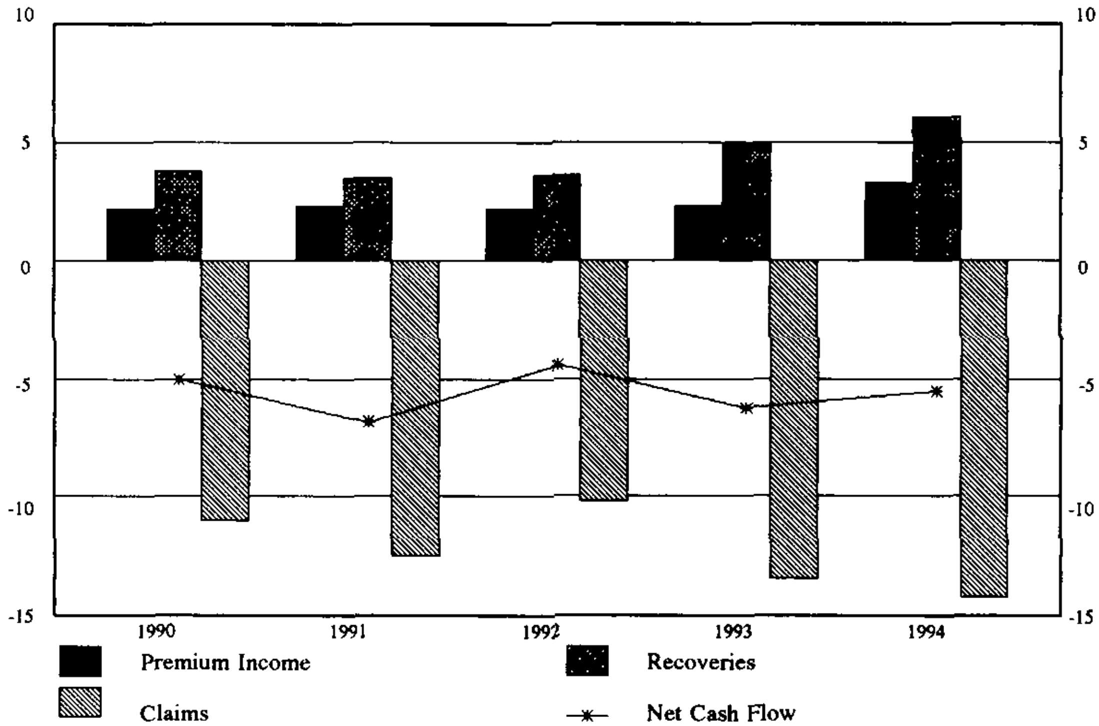
1/ These figures do not include the intra-OECD commitments by export credit agencies, which in 1994 were three times commitments to developing countries. Berne Union members' total commitments in 1994 were US$376 billion, an increase of 9.1 percent over the 1993 level. In discussing export credit activity, a distinction needs to be made between commitments and disbursements. Berne Union data focuses on commitments, but the disbursements of insured credits arising from these commitments often occur months or years later. Similarly, the Berne Union does not collect information on repayments of insured credits, except in cases where these have resulted in claims. For these reasons, it is not possible from the Berne Union figures to get a clear picture of net flows in any given year.

2/ While precise data is not available, of the US$90 billion new commitments in 1994, only about US$1 billion are reported by agencies to have been to heavily indebted poor countries.

Chart 6. Export Credit Agencies: Premium Income, Recoveries, Claims and Net Cash Flow, 1990-94 1/

(In billions of U.S. dollars)



Sources: Berne Union; and IMF staff estimates.

1/ The figures for 1993 and 1994 are for all Berne Union members. The figures for earlier years cover most, but not all, Berne Union members.

use financial indicators such as debt and debt-service ratios, and levels of international reserves in assessing risk, and attach increasing importance to the policies of the borrowing country government toward the private sector, a liberal trade and payments system, and the development of a sound and well-functioning banking system.

4. New commitments and cover policy for specific countries

The increased focus on risk assessment and the preference for less risky borrowers has been reflected in the direction of new commitments in recent years. Chart 7 shows new export credit commitments in the period 1992 to 1994 to a number of major borrowers. The rise in new commitments to China is particularly striking. By end-December 1994, export credit exposure to China had risen to US$37 billion, almost twice the level of commitments at the end of 1992. New commitments in 1994 alone amounted to almost US$17 billion. Competition is intense among agencies for business in China, resulting in the continued subsidization of exports in the form of tied-aid credits. 1/ Similarly, there has been a continued increase in new commitments to Indonesia, which is also a major recipient of tied-aid credits. Hong Kong and Saudi Arabia, which are generally regarded as low-risk markets by export credit agencies, have also been major recipients of new export credits. In the case of Hong Kong, most of the new commitments were for short-term credits, so that exposure, which had doubled between 1991 and 1993, remained broadly unchanged. In the case of Saudi Arabia, the new commitments were a mixture of short-term and medium- and long-term credits, and export credit agencies' exposure rose from US$4 3/4 billion at end-1993 to almost US$7 billion at end-1994.

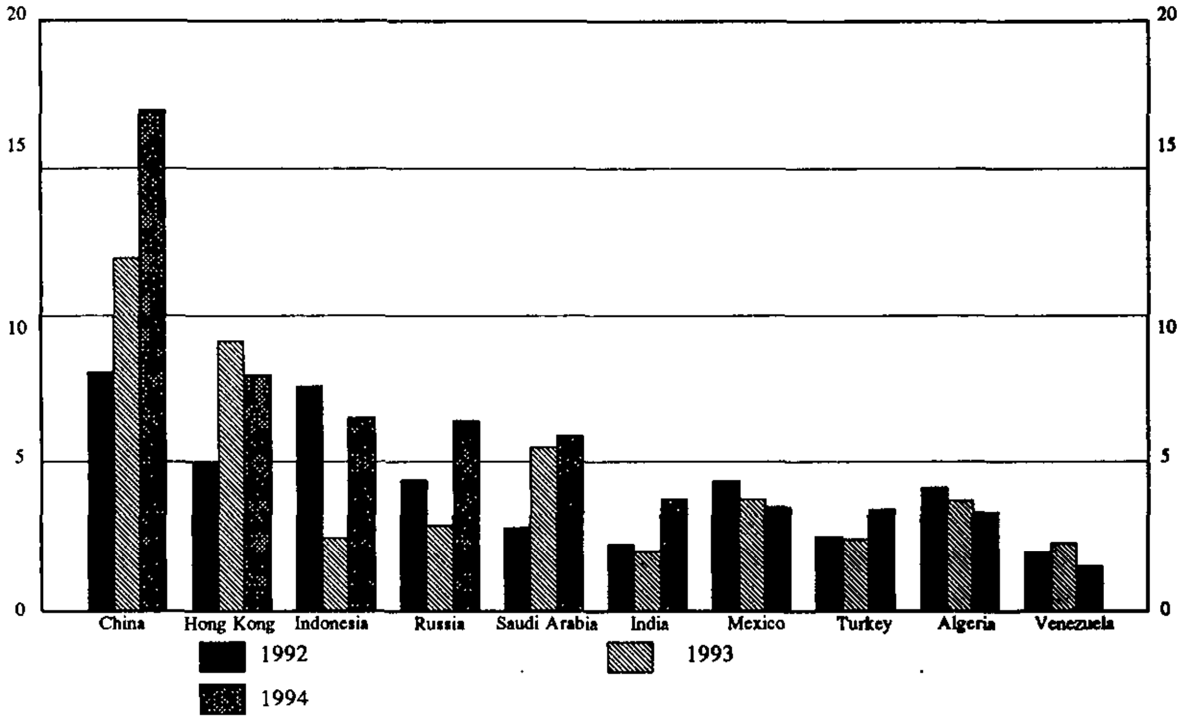
New commitments to India and Turkey also rose in 1994, reflecting agencies' perceptions of the effects of these countries' adjustment and reform efforts. New commitments to Mexico and Algeria also remained substantial, with cover policy for both countries being broadly unchanged in 1994, although agencies are cautious over Mexico given the developments in early 1995, particularly on commercial risks, and continue to be concerned about political developments in Algeria. Venezuela experienced a drop in new commitments, reflecting a deteriorating policy environment and the accumulation of payments arrears; most agencies are now off cover for Venezuela.

Most agencies describe their cover policy for the Russian Federation as restrictive, and agencies stressed that they continue to attach considerable importance to the negative pledge clause waiver approved by the World Bank,

1/ Tied-aid credits are discussed in more detail in section 5 below.

Chart 7. New Export Credit Commitments in Selected Major Markets, 1992-94

(In billions of U.S. dollars)



Sources: Berne Union; and IMF staff estimates.

Note: Total export credit exposure (commitments, arrears and unrecovered claims) in selected major markets in 1994 (in U.S. dollar billions):

China	36.8
Hong Kong	10.8
Indonesia	24.4
Russia	16.6
Saudi Arabia	6.9
India	13.5
Mexico	18.7
Turkey	15.4
Algeria	25.3
Venezuela	8.8

which permits them to securitize their lending. 1/ Nevertheless, new commitments increased significantly in 1994, much of which is attributable to a single large project, a US$1.9 billion contract insured by Italy (SACE) for the supply of machinery to Gazprom. Repayment is to be made through an escrow account, with the additional security that the extra supplies of gas engendered by the new equipment will be exported to Italy. However, apart from this project, recourse by agencies to securitized lending to the countries for which the World Bank has waived its negative pledge clause remained limited in 1994, mostly because of a reluctance on the part of debtor country governments to participate in securitized borrowings. 2/ More generally, and with few exceptions, cover policy for the Baltic countries and the other countries of the former Soviet Union (excluding Russia) has remained very restrictive, and the volume of new commitments has been small.

5. Institutional and policy changes

In August 1994, Participants in the Arrangement on Guidelines for Officially Supported Export Credits (the OECD Consensus) agreed modifications in the Consensus designed to tighten the rules governing provision of tied-aid or "mixed" credits beyond the restrictions agreed in the "Helsinki Package" in 1992. 3/ The use of such credits has been a source of concern, because of its scope for distorting competition and trade, and because the use of aid resources as an instrument of export competition diverts resources from the poorest countries which generally do not receive export credits.

The package agreed in 1994 (the "Schaerer Package") contained a number of measures designed to tighten and simplify the implementation of the

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1/ The World Bank's negative pledge clause policy is described in detail in Appendix II, Box 3 and in the World Economic and Financial Surveys March 1995 paper on export credits (Box 6, page 21). In March and November 1993, the World Bank adopted changes in its general negative pledge clause policy to provide for country-specific waivers under certain conditions. Eligible countries are granted a waiver for an initial period of two years. To date, only Kazakhstan, Russia, and Uzbekistan have sought and been granted waivers under this policy.

2/ See also the World Economic and Financial Surveys paper on export credits (page 23).

3/ A detailed description of the operation of the OECD Consensus is contained in "Officially Supported Export Credits - Recent Developments and Prospects", World Economic and Financial Surveys, March 1995, Annex III. Export subsidies in the form of "mixed" or "tied-aid" credits are a powerful and often-used instrument of competition in loans to certain countries considered good risks. These credits generally involve projects funded in part by export credits and in part by tied-aid resources, which are used either as a grant or applied toward reducing interest rates on the export credit.

earlier agreement, including restrictions on "grandfathering" of credits already in the pipeline when changes are made, the abolition of the subsidized SDR interest rate on export credits, and a tightening of the definition of concessionality in the calculation of tied-aid credits. The agreement also set in motion new work on areas not so far covered by the Consensus, including export credits for agricultural products and the setting of premia and related conditions.

The increased emphasis of export credit agencies on providing cover for exports to the private sector in developing countries continued in 1994, and in some countries some agencies have reversed their usual practice of charging higher premia for private sector buyers than for public sector buyers.

In cofinancing between export credit agencies and multilateral institutions, the World Bank remains by far the most important partner for agencies. However, the level of cofinancing with the World Bank has continued to be less than desired by agencies. A new scheme for cofinancing with the European Bank for Reconstruction and Development (EBRD) was put in place in 1994, but projects supported under the scheme have so far been limited.

There were also changes in the organization of export credit agencies themselves. COFACE, the French export credit agency, was privatized in 1994, by the sale of its publicly-owned shareholders 1/ to the private sector. The government of Japan announced plans to merge the Export-Import Bank of Japan and the Overseas Economic Cooperation Fund (OECF) in 1999.

IV. Financing from Multilateral Institutions 2/

1. Summary

This chapter describes recent developments in multilateral financing and debt of developing countries and updates last year's report. 3/ The chapter focusses in particular on multilateral debt of the heavily indebted

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1/ The financial institutions which hold a majority of shares in COFACE were themselves privatized.

2/ 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.

3/ See Chapter IV of "Official Financing for Developing Countries" (SM/94/237, 9/1/94).

poor countries, in the light of the papers and Board discussion earlier this year. 1/2/ The main points are:

- In 1994, multilateral institutions continued to provide large amounts of gross financing and net transfers for developing countries as a whole and in particular for the heavily indebted poor countries.

- Actual debt service to multilaterals has not increased substantially in the 1990s owing to an increasing share of concessional financing by multilaterals.

- The grant element of multilateral concessional lending averaged about 60 percent in 1993 (the latest year for which full data are available), but with considerable variation among major institutions.

- Concessional debt accounted for 36 percent of developing country debt to multilateral institutions at the end of 1994, and for about 70 percent for the heavily indebted poor countries.

2. Multilateral lending 3/

The level of both gross and net multilateral lending to all developing countries 4/ in 1994, at around US$37 billion and US$14 billion, respectively, was broadly unchanged from the four previous years (Table 6). The regional pattern of these disbursements, however, has varied considerably over this period. There was a notable increase in 1994 of around US$1 billion in gross and net disbursements both to Sub-Saharan Africa (reflecting multilateral support after the devaluation of the CFA franc) and to North Africa and the Middle East. By contrast, gross

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1/ See "Issues and Developments in Multilateral Debt and Financing for the Heavily Indebted Poor Countries - Preliminary Considerations" (SM/95/29, 2/7/95); "Multilateral Debt of the Heavily Indebted Poor Countries" (SM/95/30, 2/9/95); "Issues and Developments in Multilateral Debt and Financing for the Heavily Indebted Poor Countries - Further Consideration" (SM/95/61, 3/31/95); BUFF/95/18 (3/1/95); and BUFF/95/33 (4/18/95; Cor. 4/20/95).

2/ A group of 41 countries, composed of the 32 countries classified by the World Bank as severely indebted low-income countries (SILICs), seven rescheduling countries that have received concessional treatment from the Paris Club and two IDA-only countries (see Table 7).

3/ The statistical information used in the following sections is derived mostly from the World Bank DRS supplemented by IMF staff estimates. The data for 1994 are provisional estimates. There have been substantial revisions to the data--particularly for 1993--since last year's report which are reflected in the attached tables.

4/ A group of 137 countries reporting to the World Bank DRS. The data is not consistent with that derived from OECD (DAC) sources used in Chapter II (see Box 1).

Table 6. Gross and Net Disbursements from Multilateral Institutions by Region and Income, 1980-94 1/

(In millions of U.S. dollars)

		Annual average 1980-84	Annual average 1985-89	1990	1991	1992	1993	Prov. 1994
All countries 2/	Gross	21,742	25,996	36,364	39,110	35,614	37,110	37,478
	Net	16,806	9,102	15,368	17,689	13,834	15,234	13,697
By region								
Sub-Saharan Africa	Gross	3,390	4,297	5,339	5,240	5,347	4,922	5,896
	Net	2,711	2,328	3,078	3,079	3,391	2,962	3,643
North Africa and the Middle East	Gross	1,257	2,249	2,343	3,412	2,961	2,531	3,726
	Net	864	1,043	616	1,438	893	427	1,493
Asia	Gross	7,402	8,382	11,322	12,683	11,772	11,424	11,711
	Net	6,062	3,197	5,180	7,152	6,362	6,035	4,317
Western Hemisphere	Gross	6,640	8,537	13,814	9,896	9,160	11,537	8,769
	Net	4,929	3,089	5,399	609	-606	1,425	252
Other	Gross	3,053	2,531	3,545	7,879	6,372	6,696	7,376
	Net	2,995	1,354	1,035	2,087	1,754	2,976	1,197
By debt-servicing record								
Non-rescheduling countries	Gross	8,653	11,010	16,602	19,576	16,694	16,026	16,205
	Net	7,017	4,500	8,828	12,028	9,063	8,441	6,290
Rescheduling countries 3/	Gross	13,090	14,986	19,762	19,534	18,919	21,084	21,273
	Net	9,790	4,603	6,540	5,660	4,771	6,793	7,407
Of which: Low-income 4/	Gross	2,672	2,899	3,872	3,813	3,873	3,188	4,264
	Net	2,103	1,574	2,144	2,170	2,580	1,861	2,715
Memorandum item:								
Heavily indebted poor countries 5/	Gross	3,646	4,490	5,811	5,587	5,444	4,916	6,132
	Net	2,908	2,486	3,285	3,192	3,380	2,682	3,668

Source: World Bank Debtor Reporting System (DRS).

1/ Medium- and long-term public and publicly guaranteed debt; including to the IMF.
2/ A group of 137 countries reporting to the DRS.
3/ A group of 65 countries that have obtained Paris Club reschedulings as of July 31, 1995 (including agreements of the Russian Federation and Turkey with official bilateral creditors).
4/ A group of 31 rescheduling countries that have received concessional treatment from the Paris Club and have not graduated from rescheduling (see Table 14). This group excludes Uganda and Viet Nam but includes Cambodia and Haiti (both of which are not heavily indebted poor countries).
5/ A group of 41 countries (see Table 7).

disbursements to Western Hemisphere countries recorded a sharp decrease in 1994 of US$3 billion (net disbursements fell by US$1 billion), and while gross disbursements to Asia and other countries increased slightly, net disbursements fell by almost US$2 billion to each region.

Both gross and net disbursements to heavily indebted poor countries rose by around US$1 billion in 1994, after declines in 1993, 1/ to reach record levels of over US$6 billion and US$3½ billion, respectively. 2/3/ All of the heavily indebted poor countries continued to receive positive net disbursements from multilaterals in 1994 (Table 7), except for countries not undertaking adjustment policies (Liberia, Myanmar, Somalia, and Zaïre).

3. Multilateral debt

The share of multilateral debt in the total debt of developing countries 4/ has stabilized at around 23 percent during the first half of the 1990s after a continued rise in the share during the 1980s (Chart 8 and Table 8). 5/ The share of multilateral debt in the total debt of the heavily indebted poor countries, after declining somewhat in the second half of the 1980s, has risen by 5 percentage points over the past five years, and reached 31 percent at end-1994. 6/

For all developing countries, the share of concessional debt in total multilateral debt has risen by 7 percentage points over the last decade. This development was even stronger for the heavily indebted poor countries, where the share of concessional debt in total multilateral debt has increased by 21 percentage points over the past decade to reach 70 percent at end-1994 (Table 9). 7/

In recent years, the IMF has provided increasing financial support for low-income countries in the form of loans under the SAF and the ESAF. As a consequence, loans outstanding under these facilities at end-1994 reached a

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1/ Countries which registered notable declines in net disbursements in 1993 include Bolivia, Cameroon, Chad, Côte d'Ivoire, Honduras, Nicaragua, Senegal, Tanzania, and Uganda (Table 7).

2/ A similar pattern occurred for the group of low-income rescheduling countries, most of which are included in the group of heavily indebted poor countries.

3/ In addition to large rises in net disbursements in 1994 to Cameroon and Côte d'Ivoire, there were also significant rises to Uganda, Viet Nam, and Zambia (Table 7).

4/ Medium- and long-term public and publicly guaranteed debt.

5/ Based on DRS data, which does not fully cover Russian claims on developing countries. If DRS data on such claims are replaced by Russian creditor data, the share of multilateral debt in total debt would be 2 percentage points lower. See Appendix II, Chapter II.

6/ A similar pattern occurred for the low-income rescheduling countries.

7/ Similarly, for the low-income rescheduling countries.

Table 7. Heavily Indebted Poor Countries: Net Disbursements from Multilateral Institutions, 1980-94 1/

	Annual average 1980-84	Annual average 1985-89	1990	1991	1992	1993	Prov. 1994	Annual average 1980-84	Annual average 1985-89	Prov. 1994
	(In millions of U.S. dollars)							(In percent of exports of goods & services)		
Angola	1	7	1	35	17	11	20	–	0.3	0.7
Benin	26	39	71	81	59	76	61	8.3	8.5	9.4
Bolivia	96	147	73	103	176	88	111	9.8	19.8	11.8
Burkina Faso	28	41	31	85	97	120	133	8.9	10.4	18.1
Burundi	32	68	52	60	87	55	69	31.9	53.5	49.8
Cameroon	56	76	130	105	3	-83	177	2.6	3.3	7.1
Central African Republic	20	40	91	38	27	29	61	11.3	22.6	29.2
Chad	4	29	74	64	127	51	72	3.8	15.1	30.6
Congo	39	35	-21	-3	2	–	82	3.3	3.7	7.8
Côte d'Ivoire	305	15	307	160	63	-136	324	10.6	0.4	7.4
Equatorial Guinea	6	8	-1	11	12	17	10	1.7	17.1	12.2
Ethiopia	52	72	97	103	187	375	178	8.6	8.7	12.5
Ghana	134	189	190	295	135	205	79	23.3	22.7	4.1
Guinea	24	59	54	144	142	216	201	4.5	9.0	25.3
Guinea-Bissau	15	25	29	38	21	15	19	64.1	105.9	18.2
Guyana	46	19	77	91	47	47	19	14.3	7.7	4.9
Honduras	130	25	47	59	252	158	103	15.2	2.6	9.0
Kenya	203	96	208	86	-55	86	90	11.2	5.3	3.0
Lao P.D.R.	9	22	75	53	60	82	78	19.0	28.2	...
Liberia	74	16	-2	-13	–	-12	-10	14.3	3.4	-1.9
Madagascar	87	108	78	128	35	61	61	21.1	25.7	8.6
Mali	59	60	109	94	89	55	73	23.1	16.0	10.1
Mauritania	52	38	43	5	72	55	60	16.5	8.0	11.2
Mozambique	3	55	101	121	217	155	198	1.2	22.8	330.0
Myanmar	80	51	51	22	2	1	-17	17.1	13.5	...
Nicaragua	52	14	7	24	130	33	32	9.9	4.9	6.9
Niger	42	64	57	7	9	17	48	9.2	16.6	15.5
Nigeria	118	285	295	210	215	185	107	0.9	3.3	0.9
Rwanda	24	50	31	78	56	37	16	15.2	27.9	14.8
São Tomé & Príncipe	3	7	14	41	19	12	14	22.9	65.9	...
Senegal	118	109	50	63	166	67	90	11.9	9.2	5.9
Sierra Leone	21	6	-5	-3	20	51	63	12.0	4.0	33.1
Somalia	80	54	40	13	–	–	–	36.4	50.1	–
Sudan	230	95	169	116	94	91	95	20.8	8.8	14.6
Tanzania	95	90	286	191	325	138	121	15.8	16.8	13.7
Togo	42	35	32	35	31	–	18	9.5	6.8	3.9
Uganda	121	72	248	182	226	147	222	35.4	22.1	42.7
Viet Nam	12	–	-3	4	1	-37	230	...	...	...
Yemen, Republic of	84	52	14	11	43	48	72	6.0	4.9	4.3
Zaïre	145	139	42	206	59	53	-14	7.6	6.6	-1.0
Zambia	139	74	42	50	113	111	302	12.1	7.8	25.9
Total	2,908	2,486	3,285	3,192	3,380	2,682	3,668	6.8	6.6	7.9

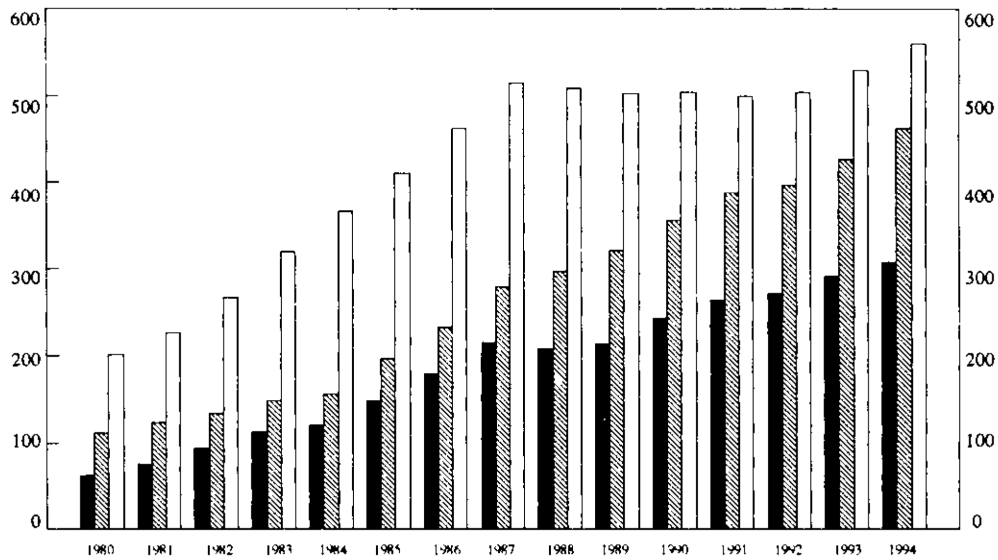
Source: World Bank Debtor Reporting System (DRS).

1/ Medium- and long-term public and publicly guaranteed debt; including to the IMF.

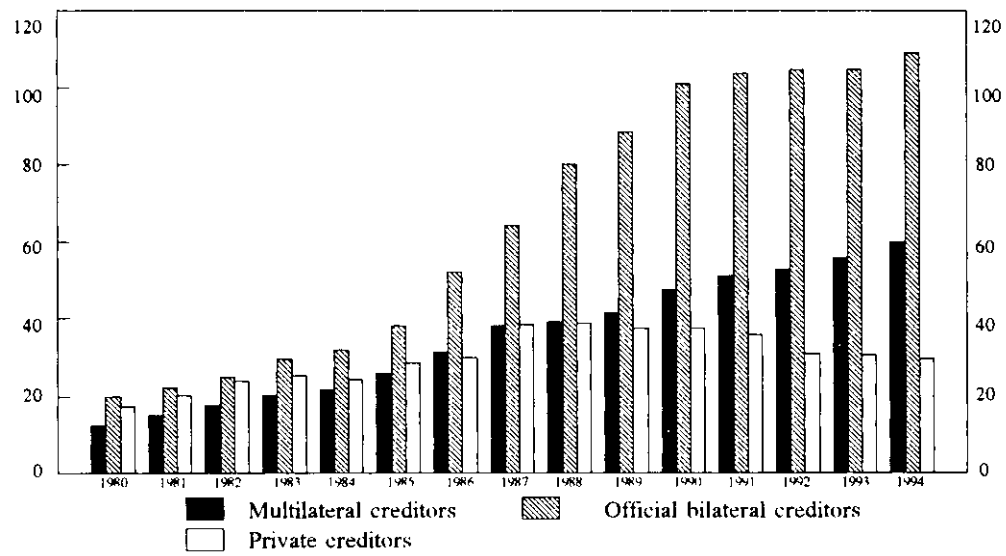
Chart 8. Developing Countries: Public External Debt by Creditor, 1980-94 1/2/

(In billions of U.S. dollars)

a. All developing countries



b. Heavily indebted poor countries



Sources: World Bank Debtor Reporting System (DRS); and IMF staff estimates.

1/ Medium- and long-term public and publicly guaranteed debt; including to the IMF.
2/ The estimates for 1994 are provisional.

Table 8. Developing Countries: Public External Debt by Creditors, 1980-94 1/

(In billions of U.S. dollars; and in percent)

	Annual average 1980-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	Prov. 1994
All countries 2/											
Total public external debt	503	756	874	1,008	1,012	1,036	1,104	1,152	1,171	1,246	1,331
Of which (in percent):											
Multilateral	18.2	19.6	20.5	21.3	20.5	20.6	22.1	23.0	23.2	23.3	23.2
Official bilateral	27.0	26.1	26.6	27.7	29.4	30.9	32.2	33.6	33.8	34.2	34.7
Private	54.7	54.3	52.8	51.0	50.1	48.5	45.7	43.4	43.0	42.5	42.1
Low-income rescheduling countries 3/											
Total public external debt	45	64	75	89	90	94	105	108	109	110	117
Of which (in percent):											
Multilateral	28.3	28.6	29.0	29.9	30.4	30.4	30.9	32.4	33.3	34.5	36.2
Official bilateral	44.0	48.3	49.7	50.7	51.7	52.8	53.7	52.6	52.7	52.1	51.5
Private	27.7	23.1	21.3	19.4	17.9	16.8	15.4	15.0	14.0	13.4	12.3
Heavily indebted poor countries 4/											
Total public external debt	65	93	113	141	158	167	186	190	188	191	200
Of which (in percent):											
Multilateral	26.4	27.8	27.5	27.1	24.7	24.7	25.5	26.9	28.0	29.1	30.5
Official bilateral	39.4	41.3	46.0	45.6	50.7	52.9	54.3	54.4	55.6	54.8	54.7
Private	34.2	30.9	26.4	27.2	24.5	22.4	20.1	18.8	16.4	16.0	14.9

Sources: World Bank Debtor Reporting System (DRS); and IMF staff estimates.

1/ Medium- and long-term public and publicly guaranteed debt; including to the IMF.
2/ A group of 137 countries reporting to the DRS.
3/ A group of 31 rescheduling countries that have received concessional treatment from the Paris Club and have not graduated from rescheduling (see Table 14). This group excludes Uganda and Viet Nam but includes Cambodia and Haiti (both of which are not heavily indebted poor countries).
4/ A group of 41 countries (see Table 7).

Table 9. Multilateral Debt on Concessional Terms, 1980-94 1/

	Annual average 1980-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	Prov. 1994
					(In millions of U.S. dollars)						
Total multilateral debt											
All countries 2/	92,581	148,001	179,312	214,715	207,713	213,620	244,037	264,874	271,930	290,579	309,200
Low-income rescheduling countries 3/	12,962	18,252	21,810	26,705	27,290	28,475	32,494	34,929	36,334	38,125	42,297
Heavily indebted poor countries 4/	17,274	25,759	31,165	38,279	39,091	41,310	47,513	51,151	52,787	55,508	60,816
Of which:											
Multilateral concessional debt											
All countries 2/	30,804	42,394	48,201	56,758	60,326	66,065	75,494	83,909	89,784	97,338	110,086
Low-income rescheduling countries 3/	6,480	9,206	11,075	13,904	15,162	16,808	19,936	22,403	24,129	26,219	29,961
Heavily indebted poor countries 4/	8,671	12,592	15,196	19,083	21,087	23,909	28,820	32,544	34,803	37,753	42,450
					(In percent of total multilateral)						
Multilateral concessional debt											
All countries 2/	34.1	28.6	26.9	26.4	29.0	30.9	30.9	31.7	33.0	33.5	35.6
Low-income rescheduling countries 3/	50.1	50.4	50.8	52.1	55.6	59.0	61.4	64.1	66.4	68.8	70.8
Heavily indebted poor countries 4/	50.4	48.9	48.8	49.9	53.9	57.9	60.7	63.6	65.9	68.0	69.8
					(In millions of U.S. dollars)						
Memorandum items:											
SAF/ESAF 5/											
All countries 2/	3,153	2,691	2,445	2,635	2,382	3,067	3,659	4,725	5,258	5,443	6,788
Low-income rescheduling countries 3/	773	620	619	824	844	1,110	1,402	1,659	1,879	1,963	2,590
Heavily indebted poor countries 4/	1,065	866	841	1,108	1,273	1,843	2,474	3,055	3,299	3,336	4,130

Sources: World Bank Debtor Reporting System (DRS); and IMF staff estimates.

1/ Medium- and long-term public and publicly guaranteed debt; including to the IMF.

2/ A group of 137 countries reporting to the DRS.

3/ A group of 31 rescheduling countries that have received concessional treatment from the Paris Club and have not graduated from rescheduling (see Table 14). This group excludes Uganda and Viet Nam but includes Cambodia and Haiti (both of which are not heavily indebted poor countries).

4/ A group of 41 countries (see Table 7).

5/ Includes Trust Fund.

record high of US$7 billion, reflecting net disbursements in 1994 of over US$1 billion (Table 9). 1/

4. Multilateral debt service

Notwithstanding the build-up of multilateral debt, multilateral debt service has remained broadly unchanged over the last decade in relation to exports of goods and services, and indeed multilateral debt-service ratios have declined by 1-1½ percentage points from the peaks of the mid-1980s (Chart 9, Table 10). Over the last 5 years, the multilateral debt-service ratio has remained at around 4 percent for all developing countries, 9½ percent for low-income rescheduling countries and 8½ percent for heavily indebted poor countries. The broadly stable level of debt service results from the continued shift by multilaterals toward concessional lending, as described in section 3 above.

5. Creditor composition of multilateral debt

The World Bank is the largest multilateral creditor; its share in total multilateral debt of developing countries has remained at about 56 percent over recent years, with an increasing relative share of IDA debt (Table 11). The three main regional development banks together have accounted for about 20 percent of total multilateral debt, the IMF for some 14 percent, and European institutions and other smaller organizations for the remainder.

For heavily indebted poor countries, the share of the World Bank in total multilateral debt increased from 47 percent in 1985 to 56 percent in 1994; reflecting the increasing move toward concessional lending to these countries, the share of IDA debt increased from 26 percent in 1985 to 44 percent in 1994, while the share of IBRD debt fell from 21 percent to 12 percent (Table 12). A continuous growth in both nonconcessional and concessional lending by the three main regional development banks resulted in a doubling of their share between 1985 and 1994, when they accounted for over 20 percent of these countries' multilateral debt. Much slower growth in lending by the IMF and other multilateral institutions was reflected in a halving of their share to 22 percent in 1994. For the IMF, this partly reflected the revolving nature of IMF resources and the IMF's monetary character.

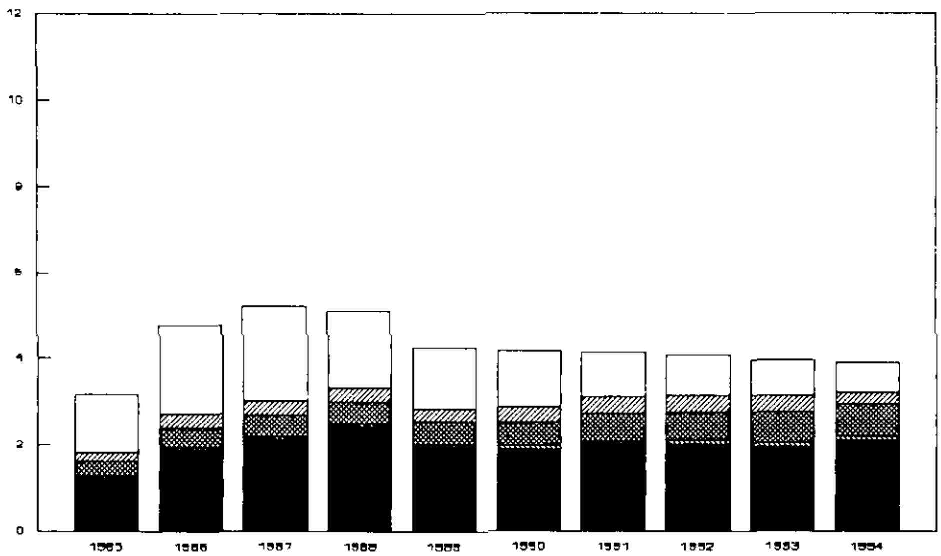
For concessional multilateral lending, IDA continued to be the largest source, accounting for nearly two-thirds of such loans at end-1994 (Table 13). The three main regional development banks remained the next largest source (about one-fourth of the total). The IMF held about 6 percent of concessional loans, and the remainder was shared by the European institutions, and other smaller institutions.

1/ Loan disbursements under the SAF/ESAF reached US$1.3 billion in 1994 compared with US$0.4 billion in 1993. Nearly twice the number of countries received concessional lending from the IMF in 1994 as in 1993.

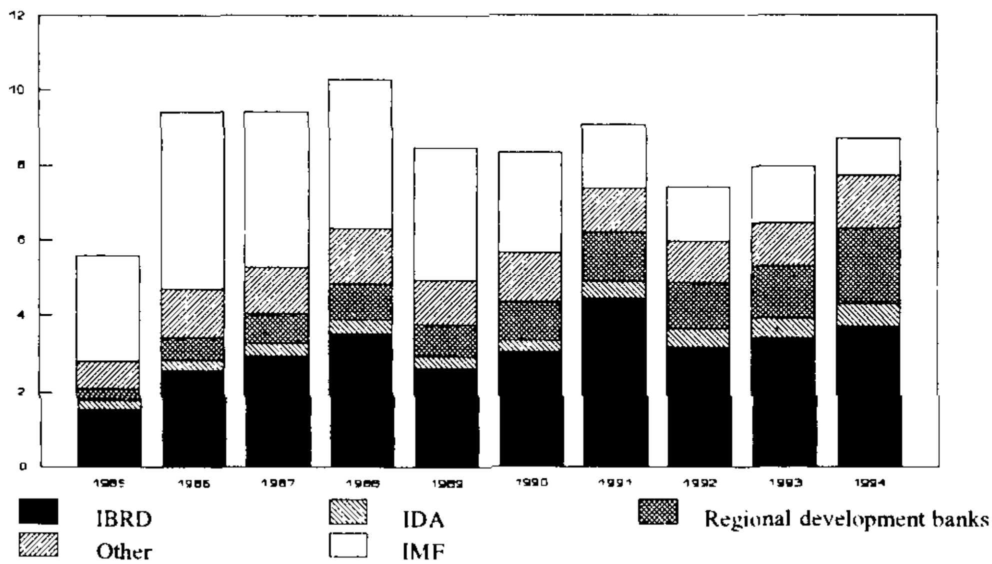
Chart 9. Developing Countries: Debt-Service Payments on Multilateral Debt, 1985-94 1/

(In percent of exports of goods and services)

a. All developing countries



b. Heavily indebted poor countries



Sources: World Bank Debtor Reporting System (DRS); and IMF staff estimates.

1/ The estimates for 1994 are provisional.

Table 10. Multilateral Debt Service, 1980-94 1/

	Annual average 1980-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	Prov. 1994
	(In millions of U.S. dollars)										
Multilateral debt service											
All countries 2/	9,808	17,232	24,872	31,590	34,365	31,455	34,494	36,457	36,867	37,432	39,315
Low-income rescheduling countries 3/	1,592	1,592	2,281	2,073	2,272	2,256	2,718	2,957	2,237	2,239	2,549
Heavily indebted poor countries 4/	1,414	2,247	3,237	3,365	3,741	3,601	4,066	4,321	3,558	3,697	4,046
	(In percent of exports of goods and services)										
Multilateral debt-service ratio											
All countries 2/	1.8	3.2	4.8	5.2	5.1	4.3	4.2	4.1	4.1	4.0	3.9
Low-income rescheduling countries 3/	7.3	7.3	10.4	9.2	9.7	9.1	10.3	11.8	8.9	9.5	9.5
Heavily indebted poor countries 4/	3.4	5.6	9.5	9.5	10.3	8.5	8.3	9.1	7.4	8.0	8.7
Memorandum items:	(In percent of exports of goods and services)										
Multilateral debt											
All countries 2/	17.2	27.2	34.3	35.3	30.7	28.9	29.4	30.1	30.0	30.7	30.7
Low-income rescheduling countries 3/	59.9	83.8	99.3	118.2	116.2	115.3	123.2	139.0	143.8	162.4	157.9
Heavily indebted poor countries 4/	41.3	64.0	91.0	107.6	107.4	97.3	97.4	107.6	110.2	119.7	131.0

Sources: World Bank Debtor Reporting System (DRS); and IMF staff estimates.

1/ Medium- and long-term public and publicly guaranteed debt; including to the IMF.
2/ A group of 137 countries reporting to the DRS.
3/ A group of 31 rescheduling countries that have received concessional treatment from the Paris Club and have not graduated from rescheduling (see Table 14). This group excludes Uganda and Viet Nam but includes Cambodia and Haiti (both of which are not heavily indebted poor countries).
4/ A group of 41 countries (see Table 7).

Table 11. Multilateral Debt by Institution, 1980-94

	Annual average 1980-84	Annual average 1985-89	1990	1991	1992	1993	Prov. 1994
			(In billions of U.S. dollars)				
World Bank	47.0	107.6	141.0	150.1	151.7	161.3	174.8
IBRD	30.7	75.3	95.9	100.3	98.1	103.0	108.6
IDA	16.3	32.2	45.1	49.8	53.6	58.3	66.1
Regional Development Banks 1/	11.9	28.3	45.3	51.3	55.7	62.1	68.3
AfDB/AfDF	1.0	4.0	8.1	10.1	11.6	13.1	14.9
AsDB	3.7	7.9	15.5	18.4	20.0	22.9	26.4
IDB	7.2	16.4	21.7	22.9	24.1	26.1	27.1
European Institutions 2/	2.6	6.7	11.1	13.5	14.1	15.2	14.8
Others	6.1	11.5	12.0	11.9	12.2	13.0	8.4
IMF	24.9	38.6	34.7	38.1	38.3	38.9	42.9
Total	92.6	192.7	244.0	264.9	271.9	290.6	309.2
			(In percent of total)				
World Bank	50.8	55.8	57.8	56.7	55.8	55.5	56.5
IBRD	33.2	39.1	39.3	37.9	36.1	35.4	35.1
IDA	17.6	16.7	18.5	18.8	19.7	20.1	21.4
Regional Development Banks 1/	12.8	14.7	18.6	19.4	20.5	21.4	22.1
AfDB	1.1	2.1	3.3	3.8	4.3	4.5	4.8
AsDB	4.0	4.1	6.4	6.9	7.4	7.9	8.5
IDB	7.7	8.5	8.9	8.6	8.9	9.0	8.8
European Institutions 2/	2.8	3.5	4.6	5.1	5.2	5.2	4.8
Others	6.6	6.0	4.9	4.5	4.5	4.5	2.7
IMF	26.9	20.1	14.2	14.4	14.1	13.4	13.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: World Bank Debtor Reporting System (DRS); and IMF staff estimates.

1/ Including development funds and other associated concessional facilities.
2/ Council of Europe, European Development Fund, European Economic Community, and European Investment Bank.

Table 12. Heavily Indebted Poor Countries: Structure of Multilateral Debt, 1985-94

	Multilateral debt outstanding		Shares in total multilateral debt outstanding																
			Total concessional		World Bank				Regional development banks				Other multilaterals		IMF		
					IBRD		IDA		Nonconcess.		Concessional						Of which:
	1985	1994 Prov.	1985	1994 Prov.	1985	1994 Prov.	1985	1994 Prov.	1985	1994 Prov.	1985	1994 Prov.	1985	1994 Prov.	1985 Total	1994 Total	concessional 1/
	(US$ millions)		(In percent of total multilateral debt outstanding)														
Angola	28	139	12	73	--	--	--	36	10	37	2	23	88	4	--	--	--
Benin	241	823	89	97	--	--	52	56	4	--	14	23	25	12	5	9	9
Bolivia	806	2,377	51	63	26	5	12	27	11	30	33	26	9	--	10	11	11
Burkina Faso	282	992	91	94	--	--	53	52	1	2	11	19	32	22	4	5	5
Burundi	261	920	88	96	--	--	53	60	10	3	15	20	16	10	6	6	6
Cameroon	708	1,770	50	28	41	39	32	23	6	18	--	2	18	15	4	2	--
Central African Republic	163	630	76	95	--	--	39	60	3	1	22	25	12	8	24	7	4
Chad	101	654	90	84	--	--	39	51	--	--	26	27	23	16	12	7	4
Congo	342	649	38	26	17	18	19	27	15	37	1	2	48	14	3	3	--
Côte d'Ivoire	1,872	3,859	10	18	52	44	--	15	2	22	--	1	10	10	36	9	5
Equatorial Guinea	27	124	49	97	--	--	12	40	22	4	9	26	10	14	47	16	16
Ethiopia	673	2,067	86	93	7	--	65	67	2	6	10	22	5	--	11	3	3
Ghana	1,227	3,248	36	91	10	2	21	64	2	6	3	5	7	1	57	22	18
Guinea	288	1,347	70	91	19	--	40	57	6	10	3	15	21	12	11	5	5
Guinea-Bissau	101	447	86	98	--	--	44	44	8	2	19	22	26	31	3	1	1
Guyana	360	810	49	79	18	5	8	22	7	11	23	20	19	20	25	22	16
Honduras	1,193	2,181	40	46	31	21	7	14	12	15	26	28	13	17	12	5	1
Kenya	1,843	3,120	31	82	41	16	22	57	1	5	1	4	7	5	28	13	13
Lao P.D.R.	76	572	97	98	--	--	35	44	--	--	35	44	14	4	16	8	8
Liberia	550	720	27	28	18	21	14	15	11	8	3	3	8	7	46	46	5
Madagascar	660	1,628	71	98	4	1	48	63	1	4	6	13	14	15	28	5	5
Mali	498	1,320	82	98	--	--	45	58	2	--	14	23	20	10	20	8	8
Mauritania	376	891	60	87	14	1	17	34	3	9	6	14	50	32	11	10	10
Mozambique	77	1,202	49	91	--	--	7	59	42	5	34	17	17	1	--	18	18
Myanmar	811	1,337	91	100	--	--	51	58	1	--	30	41	4	--	14	--	--
Nicaragua	742	1,254	48	49	22	6	8	20	3	11	31	32	37	27	--	4	2
Niger	352	875	67	94	--	--	42	65	5	--	10	11	21	17	22	7	5
Nigeria	1,431	4,436	8	11	95	61	2	4	--	28	--	1	3	5	--	--	--
Rwanda	242	713	99	100	--	--	63	67	1	--	18	24	15	7	4	2	2
São Tomé & Príncipe	22	158	100	98	--	--	--	30	--	--	38	48	62	22	--	1	1

Table 12 (concluded). Heavily Indebted Poor Countries: Structure of Multilateral Debt, 1985-94

	Multilateral debt outstanding		Shares in total multilateral debt outstanding															
			Total concessional		World Bank				Regional development banks				Other multilaterals		IMF		
					IBRD		IDA		Nonconcess.		Concessional						Of which:
	1985	1994 Prov.	1985	1994 Prov.	1985	1994 Prov.	1985	1994 Prov.	1985	1994 Prov.	1985	1994 Prov.	1985	1994 Prov.	1985 Total	1994 Total	concessional 1/
	(US$ millions)		(In percent of total multilateral debt outstanding)														
Senegal	848	2,044	52	85	11	2	27	49	5	10	2	9	24	15	32	15	12
Sierra Leone	225	484	58	96	4	1	26	38	3	--	6	14	16	16	45	30	30
Somalia	564	914	73	83	--	--	33	46	1	1	6	12	33	23	27	18	2
Sudan	1,700	3,038	55	65	3	--	30	41	--	2	1	8	22	17	43	32	3
Tanzania	1,107	2,746	73	96	24	4	51	73	3	1	4	10	12	4	5	8	8
Togo	369	732	69	99	7	--	44	70	4	--	8	10	17	8	20	11	11
Uganda	799	2,347	49	97	5	--	36	68	9	1	1	8	12	5	38	16	16
Viet Nam	165	481	81	41	--	--	33	35	--	--	--	6	8	1	59	59	18
Yemen, Republic of	694	1,184	91	99	--	--	50	66	--	--	--	--	50	34	--	--	--
Zaïre	1,410	2,717	41	67	3	3	26	48	4	19	1	8	8	4	57	18	8
Zambia	1,523	2,865	18	52	24	7	7	36	3	7	1	5	12	16	53	28	--
Total (US$ million)	25,759	60,816	12,592	42,450	5,510	7,137	6,688	26,613	966	5,991	1,912	7,490	4,035	6,279	6,648	7,306	4,130
Share of total debt (Percent)			49	70	21	12	26	44	4	10	7	12	16	10	26	12	7

Sources: World Bank Debtor Reporting System (DRS); and IMF staff estimates.

1/ SAF/ESAF including Trust Fund.

Table 13. Composition and Average Terms of Multilateral Debt by Major Institution, 1985-94 1/2/

	Debt outstanding			Average terms of new commitments in 1993				
	Amount 1994 Prov.	Share of total 1985	Share of total 1994 Prov.	Interest	Maturity	Grace	Grant element using discount rate of 3/ 10%	Grant element using discount rate of 3/ CIRRs 4/
	(US$ million)	(Percent)		(Percent)	(Years)		(Percent)	
Concessional debt	110,086	100.0	100.0	1.79	32.0	8.7	66.4	59.5
IDA	66,141	54.5	60.1	0.75	37.2	10.1	79.5	69.7
Asian Development Bank	13,216	5.4	12.0	1.30	37.0	9.9	74.6	60.4
African Development Fund	5,959	2.1	5.4	0.76	43.3	10.1	80.2	73.4
Inter-American Development Bank	5,069	7.8	4.6	3.39	23.5	6.2	46.9	37.1
European Investment Bank	2,402	1.3	2.2	4.87	17.3	5.4	31.8	26.4
Int. Fund for Agricultural Development	2,032	1.5	1.8	1.87	40.3	8.8	68.7	61.0
Arab Fund for Economic & Social Development	1,849	1.9	1.7	4.05	22.6	9.5	44.3	32.4
EEC	1,096	1.0	1.0	3.48	19.6	8.0	40.1	40.6
European Development Fund	1,085	1.6	1.0	1.00	15.0	5.0	53.7	49.4
IBRD 5/	798	4.0	0.7	3.77	17.6	5.3	39.5	23.9
OPEC Special Fund	726	2.8	0.7	3.42	15.3	4.6	37.9	27.6
Council of Europe	723	0.2	0.7	1.00	10.0	6.0	47.6	42.4
Islamic Development Bank	616	0.8	0.6	2.33	18.1	5.0	48.5	38.3
Other	1,587	8.7	1.4	3.75	17.0	4.9	37.8	30.1
IMF (SAF/ESAF/Trust Fund)	6,788	6.4	6.2	0.50	10.0	5.5	49.1	41.6
Nonconcessional debt	199,114	100.0	100.0	7.43	18.1	5.0	15.0	...
IBRD	107,865	45.8	54.2	7.44	17.6	5.3	15.2	--
Inter-American Development Bank	22,048	8.3	11.1	7.95	24.1	5.2	13.1	--
Asian Development Bank	13,137	3.4	6.6	6.61	21.4	4.4	21.5	--
African Development Bank	8,800	1.0	4.4	9.48	20.6	4.9	1.9	--
European Investment Bank	4,032	1.3	2.0	7.32	16.4	5.1	15.5	9.1
EEC	3,033	--	1.5	4.97	4.8	4.8	15.6	13.5
Council of Europe	2,414	1.1	1.2	7.25	10.0	6.0	14.5	6.8
Central American Bank for Economic Integration	1,012	0.4	0.5	6.35	11.0	3.0	11.3	4.8
Other	654	3.3	0.3	7.19	9.7	3.3	10.5	3.1
IMF (GRA)	36,120	35.3	18.1	4.91	8.6	4.1	22.4	14.3

Sources: World Bank Debtor Reporting System (DRS); OECD Press Release; Annual Reports of the World Bank, AfDB/AfDF, AsDB and IDB; and IMF staff estimates.

1/ Multilateral debt (including to the IMF) of a group of 137 countries reporting to the DRS.
2/ Major institution is defined as one with US$0.5 billion or more outstanding at end-1994. The interest rates, maturities, and grace periods are averages weighted by the amounts of the loans or arrangements.
3/ 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.
4/ Commercial Interest Reference Rates. For the World Bank and the main regional developments banks (AfDB/AfDF, AsDB and IDB), the CIRR-based discount rate is derived from the weighted average of average CIRRs in 1993 for the top five currencies in which the outstanding loans are repayable. For the other institutions, average CIRRs in 1993 for either US 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).
5/ Single currency loans approved in 1993.

Lending terms of the World Bank and the three main regional development banks generally provide for variable interest rates on nonconcessional resources, based on the cost of funding plus a margin determined on the basis of a targeted net income. 1/ Concessional resources are generally provided through special windows to eligible countries, and fixed service charges are applied instead of interest. Maturity and grace periods vary generally depending on the income level of the recipient country; nonconcessional loans are typically for 20-30 years, while concessional loans are for up to 40-50 years. In comparison, maturities of IMF resources are shorter at 5-10 years; nonconcessional EU (EEC) loans have maturities of about 5 years payable in bullet payments at maturity. 2/

The average terms of actual commitments in 1993 were much shorter (Table 13). The grant element of concessional lending averaged 60 percent when compared to market interest rates, 3/ but differed considerably among major multilateral institutions; based on the CIRR calculation method, the grant element of IDA is around 70 percent and of ESAF slightly over 40 percent.

V. Debt Restructuring by Official Bilateral Creditors

1. Summary

This chapter describes developments in debt restructurings by Paris Club creditors since end-July 1994. 4/ Results of debt renegotiations with other official bilateral creditors are summarized at the end of the chapter (Box 11).

The main points are:

- Only a few low-income countries have graduated from the rescheduling process, reflecting the severity of their debt burdens. There

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1/ Recently, some of the major multilateral institutions including the IBRD, IDB, and AsDB have been offering a wider choice of loan terms such as single currency loans to provide borrowers more flexibility to select terms that meet their needs and reduce their financial risk. Interest rates on single currency loans are either fixed rates or LIBOR-based floating rates.

2/ This has caused problems for some countries, see Appendix II, Chapter I.

3/ Using CIRRs. See Table 13, footnote 4, and SM/95/225 (9/5/95).

4/ A description of developments prior to end-July 1994, can be found in "Official Financing for Developing Countries" (SM/94/237, 9/1/94). A description of the general Paris Club framework (Appendix I), and a glossary of terms (Appendix II) were contained in "Official Financing for Developing Countries," World Economic and Financial Surveys, April 1994.

is little prospect of graduation for most of these countries in the absence of a stock-of-debt operation. In contrast, most middle-income rescheduling countries have graduated, though some recent graduates have run up arrears to Paris Club creditors.

- In December 1994, Paris Club creditors reached agreement on "Naples terms" for low-income countries, which offer a higher level of concessionality for most countries (67 percent net present value reduction) than under previous London terms. In the first seven months of 1995, 11 rescheduling agreements were reached under these terms.

- In February 1995, Paris Club creditors agreed to the first stock-of-debt operation for Uganda under Naples terms. The rescheduling provided for a 67 percent net present value reduction of most pre-cutoff date debt.

2. Overview of recent Paris Club restructurings

The current status of the 65 rescheduling countries is shown in Table 14, distinguishing between countries that have graduated from the rescheduling process, those that have agreements in place, and those that do not have effective rescheduling agreements. 1/ The grouping into low-income, lower middle-income, and other middle-income countries reflects mainly the terms these countries have obtained from Paris Club creditors. While the majority of middle-income countries have already graduated from reschedulings, only 4 of a total of 35 low-income rescheduling countries have graduated. This reflects the severity of the debt burden of many of these countries.

Since end-July 1994, five countries (Argentina, Bulgaria, Ecuador, Philippines, and Uganda) have graduated from the rescheduling process, bringing to 23 the number of countries that have graduated out of a total of 65 countries which had Paris Club reschedulings. 2/ In addition, among the recent reschedulings, the one for Croatia was designed as an exit rescheduling (covering arrears only), 3/ and Cambodia and Haiti may graduate at the end of their current consolidation periods. Overall, 24 countries had current rescheduling agreements in effect at end-July 1995; and 18 countries did not have rescheduling agreements in place but were expected to require further reschedulings.

1/ The latter category includes the former Socialist Federal Republic of Yugoslavia (SFRY). Two of the successor republics of the SFRY, Croatia and FYR Macedonia, have rescheduling agreements in place.

2/ For Egypt, the final stage of its 1991 debt-reduction agreement has not yet been implemented.

3/ The rescheduling for Croatia covered both "allocated debt" and "non-allocated debt" of the former SFRY (see Appendix IV, Table 5 for details).

Table 14. Status of Paris Club Rescheduling Countries Since 1980 (as of July 31, 1995) 1/
(Dates refer to end of current or last consolidation period) 2/

Low-income 3/		Lower middle-income 4/		Other middle-income		Total
		Countries that have graduated from reschedulings				
Gambia, The	9/87	Dominican Republic	3/93	Argentina	3/95	
Malawi	5/89	Ecuador	12/94	Bulgaria	4/95	
** Uganda	2/95	Egypt	5/91 5/	Brazil	8/93	
* Viet Nam	12/93 6/	El Salvador	9/91	Chile	12/88	
		Guatemala	3/93 6/	Costa Rica	6/93 6/	
		Kenya	1/94 6/7/	Mexico	5/92	
		Morocco	12/92	Panama	3/92	
		Philippines	7/94 8/	Romania	12/83	
		Poland	4/91	Trinidad and Tobago	3/91	
				Turkey	6/83	
Subtotal	4		9		10	23
		Countries with rescheduling agreements in effect				
* Benin	12/95	Jamaica	9/95	Algeria	5/98	
** Bolivia	12/97	Jordan	5/97	Croatia	12/95	
* Burkina Faso	12/95	Peru	3/96	FYR Macedonia	6/96 9/	
** Cambodia	3/97			Russian Federation	12/95	
* Côte d'Ivoire	3/97					
* Ethiopia	10/95					
* Equatorial Guinea	2/96					
** Guinea	12/95					
** Guinea-Bissau	12/97					
** Haiti	3/96					
* Honduras	7/95					
* Mali	8/95					
** Mauritania	12/97					
** Nicaragua	6/97					
** Senegal	8/97					
* Sierra Leone	12/95					
** Togo	9/97					
Subtotal	17		3		4	24
		Countries with previous rescheduling agreements, but without current rescheduling agreements, which have not graduated from reschedulings				
Angola	9/90	Congo	5/95	Gabon	3/95	
* Cameroon	9/95 10/	Nigeria	3/92	Yugoslavia 11/	6/89	
* CAR	3/95					
** Chad	3/95					
* Guyana	12/94 12/					
Liberia	6/85					
Madagascar	6/91 13/					
* Mozambique	6/95 14/					
* Niger	3/95					
Somalia	12/88					
Sudan	12/84					
* Tanzania	6/94					
Zaïre	6/90 13/					
* Zambia	3/95 15/					
Subtotal	14		2		2	18
All countries	35		14		16	65

Source: Paris Club.

1/ Includes agreements of the Russian Federation and Turkey with official bilateral creditors.

2/ In the case of a stock-of-debt operation, canceled agreement, or arrears only rescheduling, date shown is that of relevant agreement.

3/ "*" denotes rescheduling on London terms, and "**" denotes rescheduling on Naples terms (stock treatment underlined).

4/ Defined here as countries that obtained lower middle-income but not concessional terms with Paris Club reschedulings; stock treatment underlined.

5/ The last of three stages of debt reduction under the 1991 agreement has not yet been implemented.

6/ Rescheduling of arrears only.

7/ Nonconcessional rescheduling at the authorities' request.

8/ The 1994 rescheduling agreement was canceled at the request of the Philippine authorities.

9/ FYR Macedonia agreed to the terms and conditions of the rescheduling agreement, but has not yet signed the Agreed Minute.

10/ The second tranche of this agreement, covering the nine months through end-September 1995, will not be implemented.

11/ Former Socialist Federal Republic of Yugoslavia.

12/ Fund arrangement in place, rescheduling expected shortly.

13/ Last rescheduling on Toronto terms.

14/ An extension of the consolidation period through end-1995 has been requested.

15/ An extension of the consolidation period in line with the extension of the rights accumulation program (to November 1995) has been requested.

In December 1994, Paris Club creditors reached agreement on "Naples terms". 1/ The Naples terms build on the menu of enhanced concessions (now London terms) for low-income rescheduling countries, but offer a higher level of concessionality for most countries, 67 percent net present value (NPV) reduction compared to the previous 50 percent under London terms. 2/ In addition, under Naples terms, in cases where a debtor country has established a good track record--for a minimum of three years--under both rescheduling agreements and IMF-supported programs, and there is sufficient confidence in the debtor's capacity to respect the agreement, Paris Club creditors will be prepared to implement a concessional rescheduling of the entire stock of eligible debt (stock-of-debt operation). Such a stock operation was granted to Uganda in February 1995 (Box 6).

Box 6. Stock-of-Debt Operation: Uganda

Uganda was the first low-income rescheduling country to receive an exit rescheduling in the form of a stock-of-debt operation under Naples terms (see Appendix IV, Table 16). The February 1995 terms-of-reference rescheduling provided for 67 percent net present value reduction of all pre-cutoff date debt, excluding the debt previously rescheduled in 1992 on London terms (which had already received 50 percent net present value reduction). The level of concessionality for debt rescheduled in 1989 on Toronto terms, including arrears and late interest, was increased ("topped up") to 67 percent in net present value terms.

The evolution of Paris Club rescheduling terms, in particular those for low-income rescheduling countries, is summarized in Table 15. A comparison of the payments profile for low-income countries under Naples, London, and Toronto terms shows that cumulative payments under Naples terms are universally lower than under London and Toronto terms (Chart 10). The options available to creditors under Naples terms for low-income

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1/ For more details on the criteria for eligibility, coverage, choices of options and repayments terms, see "Debt Situation - Recent Developments in Commercial Bank and Official Bilateral Debt Restructuring", EBS/95/41 (3/17/95).

2/ The level of concessionality under Naples terms is decided on a case-by-case basis based on indicative guidelines on the level of the country's poverty and its global indebtedness. Countries with a per capita income of US$500 or below or a ratio of debt to exports in present value terms of 350 percent or more are eligible for a 67 percent level of concessionality. Countries not meeting these criteria will be eligible for 50 percent concessionality. These benchmarks are based on World Bank data from the World Debt Tables. All countries formerly eligible for London terms are now eligible for Naples terms.

Table 15. Evolution of Paris Club Rescheduling Terms

	Middle-Income Countries	Lower-middle income countries (Houston Terms) 1/	Low-income countries 2/											
			Toronto Terms Option			London Terms 3/ Option				Naples Terms - 67 percent NPV Debt Reduction 4/5 Option				
			DR	DSR	LM	DR	DSR	CMI	LM	DR	DSR Maturing flows	DSR Stocks	CMI	LM
Implemented	...	Since Sept. 1990	Oct. 1988-June 1991			Dec. 1991-Dec. 1994				Since January 1995				
Grace	5-6 1/	up to 8 1/	8	8	14	6	–	5	16 6/	6	–	3	8	20
Maturity	10 1/	15 1/	14	14	25	23	23	23	25	23	33	33	33	40
Repayment schedule	Flat/ graduated	Flat/ graduated	Flat	Flat	Flat	Graduated	Graduated	Graduated	Graduated	Graduated	Graduated	Graduated	Graduated	Graduated
Interest rate 7/	Market	Market	Market	Reduced 8/	Market	Market	Reduced 9/	Reduced 9/	Market	Market	Reduced 10/	Reduced 10/	Reduced 10/	Market
Reduction in net present value	–	–	33	20-30 11/	–	50	50	50	–	67	67	67	67	–
Memorandum items:														
ODA credits														
Grace	5-6	up to 10	14	14	14	12	12	12	16	16	16	16	16	20
Maturity	10	20	25	25	25	30	30	30	25	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; DSR to the debt-service reduction option; CMI denotes the capitalization of moratorium interest; LM denotes the nonconcessional option providing longer maturities. Under both London and Naples 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/ 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 which includes a three-year grace period.

5/ Most countries are expected to secure a 67 percent level of concessionality; countries with a per capita income of more than US$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.

6/ Before June 1992, 14 years.

7/ Interest rates are based on market rates and are determined in the bilateral agreements implementing the Paris Club Agreed Minute.

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.

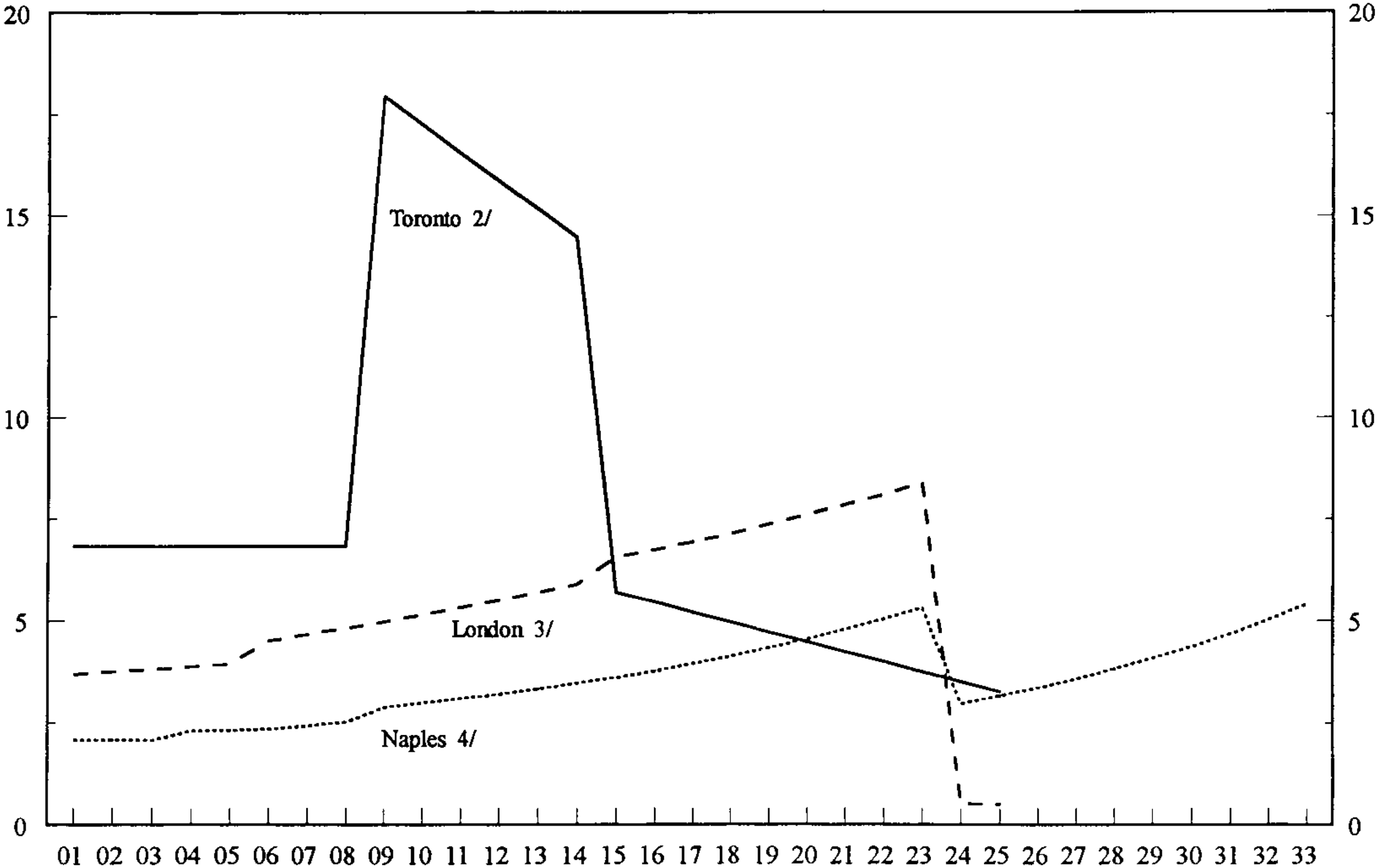
9/ Reduced to achieve a 50 percent net present value reduction.

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

CHART 10

Low-income Rescheduling Countries:
Payments Profile under Naples, London and Toronto Terms 1/
(In percent of amounts consolidated)



Sources: Paris Club; and IMF staff estimates.

1/ Assuming a market interest rate of 8 percent.
2/ Equal distribution among the options. Based on actual distribution.
3/ Distribution (in percent) of DR 40; DSR 45; CMI 10; LM 5. Based on actual distribution.
4/ 67 percent reduction in NPV terms. Distribution (in percent) of DR 45; DSR 45; CMI 10. The LM option is not included given that any creditor choosing this option undertakes best efforts to change to a concessional option at a later date when feasible.

rescheduling countries, and the choices of options by creditors, are described in Appendix III, Table 1. 1/

3. Rescheduling agreements in 1995 2/

During the first seven months of 1995, fifteen rescheduling agreements were concluded involving debt-service obligations amounting to about US$17 billion (Table 16). This brings the total number of Paris Club reschedulings since 1976 to 244, involving debt-service obligations amounting to US$276 billion (Appendix III, Table 6). 3/

As in previous reschedulings, Paris Club creditors in 1995 tailored the extent of debt relief to individual countries' circumstances by varying the coverage of pre-cutoff date debt subject to rescheduling (Table 16). However, under Naples terms there is more flexibility in the coverage of debt subject to rescheduling than under both Toronto and London terms. In particular, debt previously rescheduled on concessional (either Toronto or London) terms is now subject, on a case-by-case basis, to further rescheduling to raise ("top up") the level of concessionality originally provided under Toronto or London terms to the new level of 67 percent (or 50 percent) under Naples terms. Naples terms also provide for the possibility of re-profiling nonconcessionally debts previously rescheduled on Toronto and London terms.

Continuing with previous trends toward multi-year consolidations on the basis of multi-year Fund arrangements, the consolidations typically covered

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1/ For the options under London terms, and the choices of options by creditors, see SM/94/237, Appendix I, Table 1.

2/ Reflecting in part the on-going discussions to improve the rescheduling terms for low-income countries, there were no rescheduling agreements in 1994 after July except for a terms-of-reference rescheduling for Equatorial Guinea (for details, see Appendix IV, Table 6). A terms-of-reference rescheduling--under which no formal rescheduling meeting takes place but the terms of the rescheduling are agreed by correspondence--occurs when there is only a limited number (generally five or less) of Paris Club creditors concerned (with claims subject to rescheduling) for a particular rescheduling country. In the first quarter of 1995, agreements were reached on three terms-of-reference reschedulings with Cambodia, Chad and Uganda.

3/ These reschedulings are listed in Appendix III, Table 2. Appendix IV provides a summary description of each rescheduling agreement since end-July 1994.

Table 16. Reschedulings of Official Bilateral Debt, 1994-July 1995

(In Chronological Order)

Debtor countries 1/		Date of Agreement Mo./Day/Yr.	Amount consolidated 2/ (In millions of of U.S. dollars)	Type of Debt consolidated 3/ Non-previously Rescheduled 4/	Previously Rescheduled	Consolidation Period (Months)	Terms 5/ Grace (In years)	Maturity
1994								
Kenya	I	01/19/94	535	AL	--	--	1.3	7.8 6/
Senegal	X	03/03/94	237	PIAL	PIAL	15	6.0 **	22.5 **
Niger	VIII	03/04/94	160	PIAL	PIAL	15	6.0 **	22.5 **
Côte d'Ivoire	VII	03/22/94	1,849	PIAL	PIAL	37	5.0 **	21.5 **
Cameroon 7/	III	03/25/94	1,259	PIAL	PIAL	18	5.8 **	22.3 **
C.A.R.	VI	04/12/94	32	PIAL	Partial PIAL	12	6.0 **	22.5 **
Bulgaria	III	04/13/94	200	PIAL	--	13	5.9	9.4
Gabon	VI	04/15/94	1,360	PIAL	PIAL	12	2.0	14.5 6/
Algeria	I	06/01/94	5,345	PIA	--	12	3.0	14.5 6/
Russian Federation 8/	II	06/02/94	7,100	PI	Partial I	12	2.8	15.3 6/
Ecuador	VI	06/27/94	293	PIA	Partial PIA	6	8.3	14.8
Jordan	III	06/28/94	1,147	PIA	Partial PIA	35	2.1	16.6 6/
Congo	III	06/30/94	1,175	PIAL	PIAL	11	8.1	14.6
Philippines	V	07/19/94	586	PI	--	17	7.9	14.4
Sierra Leone	VI	07/20/94	42	PIAL	Partial PIAL	17	6.0 **	22.5 **
Equatorial Guinea	IV	12/15/94	51	PIA	PIA	21	5.7 **	22.2 **
1995								
Guinea 9/	IV	01/25/95	156	PIAL	Partial PIAL	12	6.0 ***	22.5 ***
Cambodia	I	01/26/95	249	PIAL	PIAL	30	5.3 ***	21.8 ***
Chad	II	02/28/95	24	PIAL	PIAL	12	6.0 ***	32.5 ***
Uganda	VI	02/20/95	110	--	Partial PAL	--	6.5 ***	33.5 ***
Togo	X	02/23/95	237	--	Partial PIAL	33	5.1 ***	31.6 ***
Guinea-Bissau	III	02/23/95	195	PIAL	PIAL	36	5.0 ***	31.5 ***
Croatia	I	03/21/95	861	AL	PAL	12	2.1	13.6 6/
Nicaragua 10/11/	II	03/22/95	848	PIAL	Partial PI	27	5.4 ***	21.9 ***
Bolivia 10/	V	03/24/95	482	PIAL	Partial PIAL	36	5.0 ***	31.5 ***
Senegal	XI	04/20/95	169	PIAL	Partial PIAL	29	5.3 ***	31.8 ***
Haiti	I	05/30/95	117	PIAL	--	13	6.0 ***	32.5 ***
Russian Federation 8/	III	06/03/95	6,400	PI	Partial I	12	2.8	15.3 6/
Mauritania 12/	VI	06/28/95	66	PI	Partial PI	36	5.0 ***	31.5 ***
FYR Macedonia 13/	I	07/17/95	290	PIAL	PIAL	12	3.1	14 6 6/
Algeria 14/	II	07/21/95	7,000	PI	--	36	1.5	13.5 6/

Sources: Agreed Minutes of debt reschedulings; 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/ Key. P - Principal, I - Interest; A - Arrears on principal and interest; L - Late interest. P, I, and A are on medium- and long-term debt

4/ Reschedulings covered 100 percent of current maturities except for Algeria (under the 1994 agreement) and the Philippines in 1994, while maturities on interest were covered only for the first five months of the consolidation period; under the 1995 Algerian agreement, interest due over the first 12 months was consolidated.

5/ For purposes of this paper, grace and maturity of medium- and long-term debt covered by the rescheduling agreement and not rescheduled previously are counted from the end of the consolidation period. In cases of multiyear rescheduling, the effective average repayment period can be longer "***" denotes rescheduling under London terms, and a "****" denotes rescheduling under Naples terms (with 67 percent NPV reduction, if underlined, denotes stock treatment). Grace period refers to the debt reduction option and maturity refers to the debt service reduction option for rescheduling on London or Naples terms.

6/ Graduated payments schedule.

7/ Cameroon's arrears were rescheduled on nonconcessional terms.

8/ Creditors met under the chairmanship of the Group of Participating Creditor Countries

9/ Naples terms with 50 percent NPV reduction.

10/ Some creditors chose the nonconcessional long-maturities option (see Table 15 for details on repayment terms).

11/ Amounts falling due under London terms and on moratorium interest (see Appendix V, Table 12 for details) were consolidated over 17 months and deferred nonconcessionally.

12/ Current maturities falling due under London terms were consolidated over 24 months and rescheduled nonconcessionally (see Appendix V, Table 11)

13/ FYR Macedonia agreed to the terms and conditions of the rescheduling agreement but has not yet signed the Agreed Minute

14/ Principal payments were consolidated over 36 months and interest due over 12 months.

the full period of the IMF arrangement (except for Guinea). 1/ Reflecting standard Paris Club practice, multi-year consolidations usually had annual tranches, with effectiveness of each tranche linked, inter alia, to approval by the IMF Board of annual arrangements under the ESAF (Bolivia, Equatorial Guinea, Guinea-Bissau, Mauritania, Nicaragua, Senegal, and Togo) or EFF (Algeria).

4. Main features of recent reschedulings

a. Reschedulings under Naples terms for low-income countries

By end-July 1995, eleven countries had reached rescheduling agreements under Naples terms (Table 16). 2/ These reschedulings provided for a 67 percent NPV reduction of amounts consolidated for all countries except Guinea, which received a flow rescheduling with a 50 percent NPV reduction of amounts consolidated. In line with previous trends in concessional reschedulings, Naples terms provided for very comprehensive coverage of pre-cutoff date debts--with the exception of Mauritania. 3/ Typically, the agreements included principal and interest falling due during the consolidation period, and arrears (including late interest) on debts not previously rescheduled and previously rescheduled on non-concessional terms. The coverage and other features of these agreements are described in more detail in Box 7; Box 8 describes the treatment of debt previously rescheduled on London terms in the agreements with Mauritania and Nicaragua.

The total amount of debt service consolidated under Naples terms so far amounts to US$2.7 billion, bringing the total amount consolidated under concessional London and Naples terms since 1991 to US$10.8 billion out of a total of US$11.4 billion of debt-service obligations falling due (including arrears) on pre-cutoff date debt (Appendix III, Table 3). Therefore, taking into account some US$0.5 billion in moratorium interest, debt-service payments due since 1991 on pre-cutoff date debt to Paris Club creditors were reduced to about US$1.1 billion. In addition, payments of about US$2.0 billion were due on post-cutoff date debt, some of which were deferred.

1/ Guinea's consolidation period covers the first year of the two-year ESAF arrangement approved in September 1994 (the first annual arrangement under the ESAF was approved in June 1991, but the commitment period was extended to November 1996 for the second and third year arrangements). The consolidation period extends three months beyond the end of the second year of the ESAF. A trigger clause makes effectiveness of the last three months of the rescheduling agreement conditional on Board approval of the third year ESAF arrangement.

2/ Equatorial Guinea's rescheduling under a terms-of-reference agreement in December 1994 was under London terms.

3/ The rescheduling for Mauritania excluded all arrears and late interest.

Box 7. Naples Terms Rescheduling Agreements: Coverage, Choice of Options and Goodwill Clause

Rescheduling agreements under Naples terms generally covered principal and interest on pre-cutoff date debt not previously rescheduled and debt previously rescheduled on non-concessional terms. The coverage of debt previously rescheduled on concessional terms and of arrears reflected the circumstances of the particular country.

For countries which had a previous rescheduling on Toronto terms, the 1995 reschedulings also covered debt service falling due during the consolidation period under those agreements (on "Toronto terms debt"), except for Guinea. Reflecting the increased level of concessionality under Naples terms, in three cases (Chad, Guinea-Bissau and Uganda), creditors agreed to top up to a 67 percent NPV reduction the debt relief previously granted on Toronto terms debt for maturities falling due during the consolidation period, and arrears (including late interest). In some cases, the topping up to a 67 percent NPV reduction was limited to current maturities and applied only to a part of the consolidation period (Mauritania), or applied only to arrears, including late interest (Togo). For the other countries with current maturities falling due on Toronto terms debt (Bolivia, Senegal and Togo), the obligations were re-profiled nonconcessionally.

For countries which had a previous rescheduling on London terms, in a majority of cases (Bolivia, Guinea, Senegal, Togo, and Uganda) the agreements excluded arrears and maturities falling due under those agreements during the consolidation period. However, where the balance of payments position was exceptionally weak (Mauritania and Nicaragua), the agreements provided for a nonconcessional deferral of such maturities (see Box 8), and in the case of Nicaragua for a nonconcessional deferral of moratorium interest.

Arrears on post-cutoff date debt were deferred in the cases of Guinea-Bissau and Senegal. In recognition of Guinea-Bissau's difficult financial position, the agreement provides for exceptional treatment by deferring nonconcessionally arrears (including late interest) on post-cutoff date debt, to be paid over 10 years with a graduated payments schedule; however, this was not to set a precedent. For Senegal, specified post-cutoff date arrears, payable in March 1995 under the 1994 agreement (London terms), were deferred nonconcessionally with payments over 3 years and within the consolidation period; these would not be subject to any further reorganization.

In nine of the eleven reschedulings under Naples terms, all creditors chose concessional options. In the other two agreements, two creditors, the United States (for Bolivia, and Nicaragua), and Italy (for Nicaragua), chose the non-concessional long maturities option. For Bolivia, the United States was unable to choose a concessional option owing to lack of the necessary budgetary appropriations (see below), while in the case of Nicaragua, the United States chose this option because of insufficient progress on the issue of property expropriation. 1/ Italy joined the U.S. in choosing the long maturities option in the case of Nicaragua.

Most agreements featured a goodwill clause stating that creditors agreed in principle to consider the matter of a debtor country's stock of debt three years following the signature of the Agreed Minute (Chad, Guinea-Bissau, and Togo) or earlier, at the end of the consolidation period (for Mauritania, Nicaragua, and Senegal), provided the debtor country implements the agreement in full and continues to have an appropriate arrangement with the IMF. Three rescheduling agreements did not feature a goodwill clause (Cambodia under its terms-of-reference agreement, Guinea and Haiti). In the case of Haiti, this was because the agreement rescheduled two-thirds of Haiti's stock of debt to Paris Club creditors with a 67 percent NPV reduction, and all the remaining debt was concessional Official Development Assistance. Guinea's clause under its 1992 agreement, which envisages a possible debt stock operation in November 1995, remains valid, though creditors will wish to await the end of the current consolidation period (end-1995) before considering a stock-of-debt operation. In the case of Bolivia, creditors agreed to consider such a stock-of-debt operation after September 1995, provided that a consensus could be found to choose concessional options.

1/ United States legislation precludes debt reduction for countries (i) failing to make adequate efforts to deal with property expropriation; (ii) with egregious human rights violations; (iii) not cooperating on efforts to limit narcotics trade, (iv) supporting terrorism; and (v) with excessive amounts of military spending.

Box 8. Mauritania and Nicaragua: Treatment of Debt Previously Rescheduled on London Terms

For these two countries, the rescheduling agreements provided for a nonconcessional deferral of maturities falling due during the consolidation period on London terms debt, but excluded arrears and late interest. For Mauritania, the agreement covered 24 months for maturities on London (and Toronto) terms debt (of a consolidation period of 36 months); for Nicaragua it covered 17 months for most maturities on London terms debt compared to 27 months for other maturities, although some London terms debts were excluded.

The rescheduling of such maturities for Mauritania featured a graduated payments schedule over 7 years with payments beginning 6 months after the end of the consolidation period; also, the amounts consolidated will be excluded from future reschedulings. The rescheduling for Nicaragua featured equal payments over 4 years with payments beginning 3 months after the end of the consolidation period.

b. Middle-income countries

All four rescheduling agreements for middle-income countries since end-July 1994 (Algeria, Croatia, the former Yugoslav Republic (FYR) of Macedonia, and the Russian Federation) have incorporated graduated payments schedules (with a grace period of 2-3 years and maturity of about 15 years). 1/ Debtor countries favor these agreements because they avoid a jump in principal repayments, while creditor countries regard the short grace period as a good test of the debtors' willingness to repay.

The agreements reached with middle-income rescheduling countries reflected their varied circumstances. In some cases, exit reschedulings were agreed with limited coverage and short consolidation periods. For example, the agreement for Croatia 2/ rescheduled arrears (excluding late interest) on pre-cutoff date debt, and principal payments falling due during the consolidation period on previously rescheduled debt, over 15 years with three years grace. Late interest on debt covered in the agreement was to be paid over 5 years starting in July 1996. The agreement with Algeria rescheduled principal payments on pre-cutoff date debt not previously rescheduled falling due through end-May 1998 and interest payments falling due through end-May 1996 over 15 years with 2½ years grace. 3/ In the case

1/ The Paris Club calculates grace and maturity periods starting from the middle of the consolidation period plus six months.

2/ This included both "allocated debt" (owed or guaranteed by entities on Croatian territory), and 28.49 percent of "non-allocated debt" (debts not attributable to a successor state of the former SFRY).

3/ Amounts due under the 1994 Paris Club Agreed Minute were not rescheduled, but amounts due under other bilateral consolidations were included in the rescheduling.

of FYR Macedonia, 1/ the agreement rescheduled arrears (excluding late interest) and current maturities falling due through end-June 1996 (in line with the stand-by arrangement) on pre-cutoff date debt over 15 years including three years grace. On an exceptional basis, reflecting FYR Macedonia's extremely difficult short-term external position, the agreement deferred arrears on post-cutoff date debt (including late interest) as well as late interest on pre-cutoff date arrears over 6 years, including 3 years grace. The coverage of debt service in the rescheduling agreement with Russia also continued to be very broad (see Box 9).

The amount consolidated for middle-income countries (excluding Russia) since end-July 1994 was US$8.2 billion, bringing the total amount consolidated by Paris Club creditors since 1991 to US$31.4 billion of pre-cutoff date debt out of US$39.5 billion of amounts falling due (Appendix III, Table 5). Thus total payments due from these countries on pre-cutoff date debt were reduced to US$11 billion (including US$3 billion of moratorium interest). In addition, US$7.4 billion on post-cutoff date debt was due.

There were no reschedulings for lower middle-income countries between end-July 1994 and end-July 1995. The total debt service consolidated on lower middle-income (Houston) terms for the 16 countries with reschedulings since 1991 remained at US$20.2 billion of US$24.6 billion of debt-service obligations falling due (including arrears) (Appendix III, Table 4). Thus, after taking into account moratorium interest payments of US$1.5 billion, debt service due on pre-cutoff date debt was reduced to US$6.0 billion. Additionally, US$5.7 billion on post-cutoff date debt was due.

The evolution of the rescheduling status and outlook for middle-income countries is discussed in Box 10.

1/ Paris Club creditors reached agreement with the FYR Macedonia on the terms and conditions for the rescheduling agreement, but no Agreed Minute has yet been signed. The agreement covered both "allocated debt" (owed or guaranteed by entities on FYR Macedonia territory) and 5.4 percent of "non-allocated debt" (debt not attributable to a successor republic of the former SFRY).

Box 9. Debt Rescheduling Agreement with the Russian Federation

On June 3, 1995, official bilateral creditors meeting as the "Group of Participating Creditor Countries" and the Russian Federation reached a third rescheduling agreement covering 100 percent of principal and interest falling due from January 1, 1995 to December 31, 1995 on non-previously rescheduled pre-cutoff date debt (Appendix IV, Table 13).[1] Payment of the consolidated amounts was to be in 26 semiannual graduated payments with a maturity of 15 years including a 3-year grace period.

In light of the exceptional circumstances of this case, the agreement also provided for a comprehensive deferral of amounts falling due during the consolidation period: (i) 100 percent of principal and interest (excluding late interest) due on debts contracted in 1991 which are to be paid in 16 semi-annual graduated payments starting on October 31, 1998; (ii) 100 percent of principal (excluding late interest) due as a result of the consolidation agreements concluded on debts originally short-term and due at end-1992, pursuant to the April 1993 agreement, and not paid were deferred and are to be paid in 10 equal semi-annual installments starting on October 31, 1997; and (iii) 100 percent of principal (excluding late interest) due from the consolidation agreements on debt contracted in 1991 and due as at end-1992, pursuant to the April 1993 agreement, and not paid were deferred and are to be paid in 16 semi-annual graduated installments starting in October 31, 1997.

In addition, it was agreed that 40 percent of interest falling due during the consolidation period on specific debts pursuant to the April 1993 agreement, and 33.33 percent of interest falling due between April 1, 1995 and December 31, 1995 as a result of the consolidation agreement pursuant to the June 1994 agreement, with respect to debt contracted prior to 1991 and in 1991 (including debt originally short-term), were deferred and are to be paid in 10 equal semi-annual payments starting October 31, 1998. The total amount consolidated was about US$6.4 billion. All other payments due and not covered by the present Agreement are to be paid on the due dates, while arrears outstanding as at the date of the Agreement were to be paid as soon as possible and not later than July 15, 1995.

Creditors agreed to begin in the fall of 1995 negotiations on a comprehensive rescheduling of debts owed by Russia provided: (i) Russia continues to implement the stand-by arrangement approved on April 11, 1995; (ii) all payments due to creditors are made; and (iii) substantial progress is made in concluding the bilateral agreements implementing the current agreement. Entry into force of a comprehensive agreement would be contingent on approval by the IMF of an Extended Financing Facility (EFF) arrangement, or a stand-by arrangement supporting a medium-term program.

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[1] For details of the 1993 agreement, see SM/93/194 (8/23/93), page 14, and Appendix II Table 15; for the 1994 agreement see SM/94/237 (9/1/94), page 11 and Appendix II Table 13.

Box 10. Rescheduling Status and Outlook for Middle-Income Rescheduling Countries (MIRCs)

The number of middle-income countries that continue to require further Paris Club reschedulings has declined sharply in recent years. Of the 30 countries that required Paris Club reschedulings over the past decade, 19 have now graduated (Table 14). Most of the remaining cases with agreements now in force or imminent are expected to graduate from rescheduling at the end of the current/prospective consolidation periods.

Some MIRCs ("other" MIRCs in Table 14) have recently been granted reschedulings over longer maturities than standard terms, and with shorter grace periods. Among those countries that have not graduated, Algeria's current consolidation period expires in May 1998, and the 1995 agreement is considered an exit rescheduling. For Gabon, an EFF arrangement with the Fund is expected to be presented to the Board in September 1995 with the Paris Club expected subsequently to consider an exit rescheduling. For the Russian Federation, the June 1995 agreement rescheduled maturities through end-1995, and discussions on a multi-year exit rescheduling are to begin in the fall of 1995. Among the successor states of the former Yugoslavia, Croatia and FYR Macedonia reached rescheduling agreements in March and July 1995. In the case of Croatia, this was an exit rescheduling.

Among the MIRCs that have benefitted from the more favorable rescheduling terms ("Houston terms") introduced in September 1990 for lower middle-income countries (LMIRCs),[1] nine out of 14 have graduated from rescheduling.[2] For most countries where debt to commercial banks was significant, the rescheduling of bilateral debt service was supported by debt and debt-service reduction (DDSR) operations agreed with commercial banks. As a result, the debt burden of this group of countries has been reduced from an average of around 70 percent of GDP or 330 percent of exports of goods and services in the second half of the 1980s to just over 50 percent of GDP or 220 percent of exports in 1994, and the debt service paid fell from an average of 32 percent of exports of goods and services in 1986-1988 to some 28 percent through the early 1990s (Appendix III, Table 7).

The debt situation of a number of LMIRCs remains difficult, however, and progress has been delayed due to adverse economic and political conditions. Among those LMIRCs presumed to have graduated, arrears to official creditors reemerged in 1994 for two countries (Dominican Republic and Guatemala). Of the remaining 5 LMIRCs, 3 have current reschedulings in effect (Jamaica, Jordan, Peru), while prospects for an early regularization of creditors' relations with two others (Congo and Nigeria) remain at best uncertain. Jamaica is likely to graduate from rescheduling when its current agreement expires in September 1995. Jordan's heavy borrowing in the late 1980s raised its debt to almost 200 percent of GDP or 380 percent of exports in 1990; reflecting the success of the authorities' adjustment efforts, it had been reduced below 130 percent of GDP or 270 percent of exports by end-1994. While Peru's debt stock is in line with other LMIRCs relative to GDP, the limited role of foreign trade in economic activity implies that Peru's debt and debt-service ratios measured against exports are higher than for other LMIRCs; they have shown little, if any, improvement in recent years.

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[1] Going beyond Houston terms, the reschedulings agreed for Egypt and Poland in 1991 involved a reduction in the stock of bilateral debt.

[2] Of 4 other countries considered LMIRCs earlier, two obtained low-income country terms from Paris Club creditors in 1994 (Cameroon, Côte d'Ivoire) and two have become subject to standard MIRC terms (Bulgaria, for which the latest rescheduling agreement expired in April 1995; and Costa Rica, which graduated from rescheduling in 1993, but where arrears to official creditors reemerged in 1994).

5. Debt conversions under the Paris Club provisions 1/

For the low-income and lower-middle income countries, Agreed Minutes typically include a provision for debt swaps. The amount of commercial debt that can be converted in the framework of debt-for-nature, debt-for-aid, debt-for-equity swaps, or other local-currency-debt swaps is limited to the greater of US$10-20 million per creditor (to be decided on a case-by-case basis) or 10 percent of consolidated commercial credits. For Official Development Assistance (ODA) loans, 100 percent of ODA and direct government loans can be included in such operations. All of the rescheduling agreements under Naples terms provided for US$20 million and 10 percent limits (except for the agreements with Chad, Mauritania, and Guinea which provided for US$10 million and 10 percent limits).

On the basis of data available as at end-1994 for lower middle-income countries, 2/ total debt swapped under these provisions amounted to US$1.5 billion, of which roughly three quarters was accounted for by Egypt. Most of the debt (US$1.2 billion) was swapped in the framework of debt-for-equity or debt-for-local-currency swaps, and the remaining US$0.4 billion, mostly under commercial credits, was swapped for development purposes.

For the low-income countries, 3/ total debt swapped amounted to US$0.7 billion, of which about 40 percent was accounted for by Côte d'Ivoire. Almost all of the debt swapped was in the framework of debt-for-development.

Thus far, overall debt swapped for all countries amounted to US$2.2 billion, of which three quarters was accounted for by two creditor countries, France (about US$1.0 billion) and Switzerland (about US$0.7 billion). 4/ Under the ODA provisions, the amount swapped was US$0.5 billion, while under the commercial credits provision, the amount was US$1.8 billion.

1/ Other debt reduction initiatives were described in earlier documents. Initiatives taken by Belgium, Canada, France, Germany, and the United States during 1989-90 were reviewed in "Official Multilateral Debt Restructuring--Developments in 1990," (SM/91/65, 3/18/91, Annex III). More recent debt reduction initiatives were described in detail in SM/93/194, 8/23/93, pages 14-20. The cancellation of Official Development Assistance (ODA) debt of 14 countries in the CFA Franc Zone by France was covered in SM/94/237, 9/1/94, page 13.

2/ Includes Congo, Egypt, Jordan, Nigeria, Peru, Philippines, and Poland.

3/ These include Bolivia, Cameroon, Côte d'Ivoire, Equatorial Guinea, Guinea, Honduras, Mali, Mozambique, Nicaragua, Senegal, Tanzania, Viet Nam, and Zambia.

4/ Creditor countries that have participated in the debt-swap provisions include Belgium, Finland, France, Germany, Norway, Sweden, Switzerland, and the United Kingdom.

Box 11. Recent Experience with Debt Restructurings Involving Official Bilateral Creditors not Participating in the Paris Club[1]

1. Overview

Countries that request reschedulings from Paris Club creditors in support of their IMF arrangements typically also have debt-service obligations to official bilateral creditors that do not participate in Paris Club reschedulings. Paris Club creditors require as a condition for reschedulings that debtor countries seek debt relief on comparable terms from other creditors. The IMF also has a direct concern in promoting agreements on these obligations, because of its interest in fostering orderly relations between debtor countries and their creditors and because the financing of IMF-supported programs often requires appropriate relief on obligations from all official bilateral creditors.

2. Approaches taken by non-participating official bilateral creditors

The bilateral debt-restructuring agreements concluded since the last review are listed in Appendix III, Table 8. It also includes a few agreements concluded earlier where information has become available only recently. In mid-1995, Algeria agreed with Saudi Arabia to restructure US$0.5 billion debt on terms comparable to the July 1995 Paris Club agreement. In June 1994, Angola concluded a debt-restructuring agreement with Portugal on nonconcessional terms, and in late 1993 agreed with Spain to reschedule US$135 million, with repayments in kind in less than three years. In January 1995, Haiti agreed with Venezuela to reschedule US$5 million in arrears on nonconcessional terms. In June 1994, Honduras bought back at a discount US$35 million in arrears to Argentina, and in December 1994 agreed with Costa Rica to reschedule US$27 million on nonconcessional terms. In June 1993, Jamaica agreed with Mexico to reschedule US$44 million in debt and arrears on nonconcessional terms. In early 1994, Jordan concluded debt-rescheduling agreements with Taiwan Province of China (US$2.5 million; on lower middle-income country terms as Jordan's 1992 Paris Club Agreement), and with Switzerland (involving a buyback of US$24 million at a discount, and the financing of environmental projects). In July 1992, Mali secured a 5-year moratorium on its debt service obligations to China (CFAF 45 billion) covering maturities through end-1996. In mid-1994, Sierra Leone agreed with China to reschedule a US$41 million debtor balance in a discontinued bilateral trade agreement on concessional terms. In February 1993, Uganda concluded a debt-rescheduling agreement with China (US$32 million), the bulk of it on nonconcessional terms, and in late 1992 with India (US$54 million) on nonconcessional terms.

A number of countries agreed on rescheduling of their debt to the Russian Federation. Algeria signed a protocol in early 1994 covering about half of its outstanding debt to Russia as of end-1993, which provides for payments in kind of a portion of the debt falling due. Egypt concluded a debt restructuring agreement in late 1994, covering three different types of debt totalling about Rub 1.7 billion to be repaid by 2010; as payments fall due, an outstanding Egyptian creditor balance in a defunct clearing arrangement will be drawn down. A 1994 agreement with Mongolia provided for a deferral of principal repayments and interest charges.

Further progress has been made in settling outstanding bilateral balances among countries of the former Council of Mutual Economic Assistance (CMEA). Late in 1993, Albania concluded a concessional restructuring agreement with Germany of debt owed to the former German Democratic Republic (GDR) (DM 13 million). While negotiations on a formal agreement continue, Viet Nam and the Russian Federation agreed during 1994 on an informal arrangement that provides for Viet Nam to make partial payments in kind on the amounts falling due. In February 1995, Poland and the Russian Federation agreed to the mutual cancellation of outstanding inter-governmental loans and commercial credits; a small remaining creditor balance is to be settled in cash by Russia during 1995. In mid-1995, Hungary agreed to the settlement of the remaining balances (US$1.7 billion) by Russia in kind (largely military hardware) rather than in cash. In 1994, Poland concluded an agreement with Germany to restructure a debtor balance to the former GDR. Mongolia concluded an agreement with Hungary in January 1994 restructuring short-term debt and an outstanding debtor balance in a clearing account.

A new issue has arisen in the last year or two, as some countries of the former Soviet Union (FSU) required debt relief on their large debts to other FSU countries. Many of these countries have adopted IMF-supported adjustment programs that critically rely for financing on debt relief from FSU creditors. The multilateral framework for debt renegotiation provided by the Paris Club was not an option for these countries, since their eligible debt to Paris Club creditors, if any, was limited. Negotiations with the creditor countries were conducted on a bilateral basis. Early in 1995, Ukraine concluded bilateral debt-rescheduling agreements with Russia (US$2.6 billion) and Turkmenistan (US$1.0 billion). The agreement with Russia, covering 1995 maturities and arrears at end-1994, provides for the rescheduling of US$2.1 billion on nonconcessional terms, and debt/equity swaps and payments in kind for the remainder.

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[1] For developments prior to 1994, and a further discussion of issues, see "Official Financing for Developing Countries", SM/93/194 (8/23/93), Annex I, and SM/94/237 (9/1/94), Box 1.

Debt Sustainability for Heavily Indebted Poor Countries

I. Selected Low-Income Countries: Impact of Hypothetical Stock-of-Debt Operations

1. Introduction and summary

This section examines the structure of the balance of payments of 27 low-income rescheduling countries and the potential impact on debt service in 1995 of hypothetical stock-of-debt operations by Paris Club and other official bilateral and private creditors along the lines of the Naples terms agreed in December 1994. Using this as a base, it looks at the projected medium-term external positions for a group of 14 of these countries that could be early candidates for debt reduction, or whose debt burden is particularly difficult, or that have already been granted a stock-of-debt operation. In particular, the effects of a hypothetical stock-of-debt operation on Naples terms on total debt service, and on the sustainability of debt service to multilateral creditors, are examined. The sensitivity of these countries' external positions to less favorable assumptions on export growth and the terms of new financing is also addressed. The medium-term scenarios are based on recent IMF staff reports which are subject to change. Projections over a 20-year period are inevitably subject to large margins of uncertainty; results based on such projections need to be treated with caution. The analysis of external-debt sustainability in this appendix (as defined in Box 3) is only partial in that it does not consider the possible dynamic implications of debt overhangs on investment and growth. 1/

The main conclusions of the medium-term analysis are:

- Of the 14 countries considered, on the assumption of continued strong adjustment efforts, 10 would appear to reach sustainable external positions after the hypothetical stock-of-debt operation assumed. This would also appear the case for Sierra Leone, though given the steep decline in exports in recent years, the current difficult security situation, and large debt-service payments to the IMF during 2000-2002, the prospects for sustainability would appear more uncertain.

- Mozambique, Nicaragua and Zambia face such large debt burdens that stock-of-debt operations on Naples terms would not result in debt-service profiles that would appear sustainable. For Mozambique and Zambia, financing pressures could be eased to a considerable extent by the inclusion in the stock-of-debt operation of debt previously rescheduled on Toronto and London terms. However, Zambia would continue to face extremely high debt-service obligations to the IMF following the replacement of the current Rights Accumulation Program by an ESAF (assumed later this year), and would

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1/ For a discussion of the debt overhang for heavily indebted poor countries, see Appendix I, Chapter II below.

require substantial balance of payments assistance during the peak years of ESAF repayment.

- The results are highly sensitive to assumptions on export growth and the terms of new financing. If export growth were lower by 1 percent per annum--which by the end of the projection period would result in exports more than 20 percent lower than under the base case--or if external finance were provided at interest rates on average 1 percent per annum higher, and no other adjustment occurred, significant external financing gaps would emerge for most countries. This does not mean that for all countries sustainability would be threatened: in many cases countries could adjust, for example, by lowering imports or shifting more resources to the export sector, though in some cases this could be at the expense of potential growth. Some countries (such as Ethiopia, Honduras, Sierra Leone, and Zambia) are more vulnerable to external shocks because their export base is less diversified than in other countries (such as Bolivia, Côte d'Ivoire, Guyana, and Tanzania).

- Virtually all 14 countries will remain heavily dependent on continued large net resource flows on concessional terms even in the context of a debt reduction, though these flows are assumed to decline in real terms in most cases.

2. Twenty-seven low-income rescheduling countries: impact in 1995 of hypothetical stock-of-debt operations 1/

a. Debt and financing situation in 1994

The structure of external financing of the 27 low-income rescheduling countries in 1994 is shown in Appendix I, Table 1. Most countries continued to be heavily dependent on large resource flows to satisfy their basic import and development needs, with non-interest current account deficits averaging about 40 percent of exports. Overall external financing requirements were substantially higher because of the need to make debt-service payments and build up international reserves to adequate levels. These resource needs were met in large part through the provision of new external financing, which averaged nearly 70 percent of exports, more than half of which was in the form of grants, and the remainder mainly in the form of concessional bilateral and multilateral lending.

Notwithstanding the continued availability of these inflows, most of the 27 countries faced extremely high scheduled debt-service burdens. However, actual payments on debt were reduced through comprehensive debt

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1/ Of the 31 low-income rescheduling countries that have not graduated from the rescheduling process (Table 14, column 1), Cambodia and Haiti were excluded as exit reschedulings while Liberia, Somalia, and Sudan were excluded due to data limitations (e.g., on arrears composition); Uganda, which had a stock-of-debt operation in February 1995 (see Chapter V), is included for comparison purposes.

Table 1. Low-Income Rescheduling Countries: Structure of External Financing, 1994

(In percent of exports of goods and services) 1/

	Non-interest current account deficit (-: surplus)	Total scheduled debt service 2/	Balance of Payments Financing					Memo item: Actual debt service 5/
			Total	Grants	Disburse-ments	Exceptional financing 3/	Other flows 4/	
Angola	19	52	71	9	8	38	16	14
Benin	2	20	22	21	17	9	-25	11
Bolivia	26	34	61	22	31	11	-3	23
Burkina Faso	72	18	90	63	31	-5	1	23
Cameroon 6/	-8	59	50	4	21	30	-5	29
C.A.R.	49	20	69	61	29	10	-30	10
Chad	87	14	101	59	42	11	-10	3
Côte d'Ivoire	-11	36	25	1	30	13	-18	23
Equatorial Guinea	1	32	33	10	7	25	-9	7
Ethiopia 6/	54	53	107	48	74	28	-43	25
Guinea	35	38	73	18	21	16	18	22
Guinea-Bissau	72	91	163	120	38	57	-52	33
Guyana	-9	38	29	2	10	14	3	24
Honduras	12	33	45	8	26	6	6	28
Madagascar	36	69	105	30	24	61	-10	8
Mali	76	38	114	65	39	14	-5	24
Mauritania	22	31	50	23	24	--	3	30
Mozambique	184	116	300	143	66	95	-4	21
Nicaragua	105	344	450	53	72	291	33	54
Niger	62	36	98	40	23	13	22	23
Senegal	16	20	36	26	15	8	-13	12
Sierra Leone	54	49	103	13	39	29	22	19
Tanzania	40	35	75	31	17	20	7	15
Togo	10	36	46	9	14	32	-8	5
Uganda 6/	83	48	131	76	89	-6	-28	54
Zaïre	-1	93	92	10	1	89	-7	4
Zambia	10	52	63	22	25	16	--	36
Simple average	41	56	96	37	31	34	-5	21

Source: IMF staff estimates.

1/ In some cases, in percent of exports of goods and nonfactor services.
2/ Excludes IMF repurchases and repayments which are included in net change in reserves.
3/ Includes debt relief and change in arrears (other than to the IMF).
4/ Including net changes in reserves.
5/ Consists of scheduled debt service less debt relief and change in arrears.
6/ For fiscal year 1993/94.

reschedulings and, in some cases, by the accumulation of arrears. For these low-income rescheduling countries as a group, actual debt service paid in 1994 averaged around 20 percent of exports of goods and services compared with scheduled debt service of around 55 percent (Appendix I, Table 1).

Although these factors suggest that the debt burden facing most of these low-income rescheduling countries is manageable in a cash sense, the continued reschedulings involve significant costs to policy makers, including the use of scarce governmental/administrative talent, create uncertainties about future economic prospects, and may have contributed to the relatively poor growth performance of some of these countries. There is widespread acceptance in the international community of the conclusion that the debt burden facing many of these countries is in excess of their respective payments capacities and that the attainment of a sustainable balance of payments situation can only be achieved through a reduction in the stock of debt. In recognition of these factors, under the Naples terms adopted in December 1994, Paris Club creditors agreed to stock-of-debt operations for low-income countries which have established good track records under both IMF arrangements and rescheduling agreements (for details see Chapter V).

b. Impact of hypothetical stock-of-debt operation in 1995

The structure of scheduled external debt service in 1995--distinguishing between payments due on restructurable and nonrestructurable debt--is discussed in Appendix I, Box 1. Based on this, on a hypothetical and illustrative basis, the effects of a stock-of-debt operation on Naples terms at the beginning of 1995 are analyzed. 1/ For most of the countries, this operation is assumed to entail a net present value (NPV) reduction of 67 percent of all pre-cutoff date debt owed to Paris Club creditors and other official bilateral and private creditors, with the exception of debt that has been previously rescheduled on concessional terms; the assumed terms and coverage of this hypothetical operation are elaborated further in Appendix I, Box 2.

A reduction in the stock of restructurable debt would result in a lowering of debt service on restructured debts to well below 5 percent of exports of goods and services in 1995 for all but three countries (Appendix I, Table 2). 2/ With the current repayment profile, debt-service obligations on this would rise at about 3 percent per annum in nominal terms, which would be consistent with an unchanged or decreasing debt-service ratio on restructured debt as long as nominal exports grow at a rate of 3 percent.

1/ In the cases of Cameroon and Ethiopia, the debt-stock operation is assumed to have taken place at the beginning of fiscal year 1994/95, i.e., July 1994. In the case of Uganda, Appendix I, Table 2 shows the result of the actual debt reduction agreement reached with Paris Club creditors in February 1995.

2/ The exceptions are Guinea-Bissau (5 percent), Nicaragua (15 percent), and Zaire (9 percent).

Appendix I, Box 1. Low-Income Rescheduling Countries: Structure of Debt Service in 1995

The structure of debt service for 27 low-income rescheduling countries is shown in Appendix I, Table 2, which distinguishes between payments due on nonrestructurable and restructurable debts. The first category includes debt to multilateral institutions (including the IMF), post-cutoff date debt (including to non-Paris Club official creditors), new borrowing, gap financing, short-term debt, and other debts which have been excluded from reschedulings, such as debt owed by the private sector. Obligations arising from previous reschedulings on concessional terms (including with non-Paris Club official creditors) are also classified as nonrestructurable debt even though Paris Club creditors have agreed to consider a rescheduling of such debt on a case-by-case basis under Naples terms. The category of restructurable debt includes the remainder of pre-cutoff date debt to Paris Club and other official bilateral creditors (debt not previously rescheduled and debt previously rescheduled on nonconcessional terms) and debt to private creditors. Coverage of debts to certain non-Paris Club official creditors may be incomplete pending verification of claims and resolution of disputed amounts.

Most countries with the highest debt-servicing obligations face large obligations on restructurable debt, owing mainly to previous reschedulings on nonconcessional terms that had relatively short grace and repayment periods. Several countries[1] also face large obligations on debt that was previously rescheduled on concessional terms. By contrast, debt service on post-cutoff date debt amounts to 4 percent or less of exports of goods and services for most countries,[2] reflecting the trend in recent years toward increased concessionality in bilateral lending. With a few exceptions (namely, Guyana and Uganda) scheduled debt service to the IMF remains a small fraction of total debt payments.[3] However, a number of countries face high debt-service obligations to other multilateral institutions, which in some cases is partly attributable to previous lending on nonconcessional terms. Specifically, debt service due to multilaterals (excluding the IMF) is 15 percent of exports or more for Bolivia, Guinea-Bissau, Honduras, and Nicaragua, and ranges between 10 and 15 percent for Burkina Faso, Côte d'Ivoire, Guyana, Mauritania, Niger, and Uganda.

Debt service on nonrestructurable debt from other sources amounts to 5 percent or less of exports of goods and services in all countries with the exception of Sierra Leone (22 percent) and Angola, Cameroon, Ethiopia, Guinea, Guinea-Bissau, Madagascar, and Mozambique (all around 10 percent). This debt mainly consists of loans securitized on future oil receipts (Angola), lending to the private sector (Guinea), loans exempted from earlier reschedulings (such as to Ethiopian Airlines), or short-term debt (Cameroon and Sierra Leone).

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[1]Cameroon, Mozambique, Nicaragua, Sierra Leone, and Zambia.

[2]The exceptions are Côte d'Ivoire (6 percent), Guinea-Bissau (17 percent), and Nicaragua (10 percent).

[3]Though, in some cases, debt-service payments to the IMF are projected to rise rapidly in later years--see below.

Table 2. Low-Income Rescheduling Countries: Debt Service Indicators, 1995 1/2/

(In percent of exports of goods and services) 3/

Country	Scheduled debt service								Debt service due after a hypothetical stock-of-debt operation	
	Nonrestructurable debt						Restructurable Debt 6/	Total		
	Total	Of which:								
		IMF	Other multilaterals	Post-cutoff date	PRD concess. terms 4/	Other 5/			Total	Of which: On restructured debt
Angola 8/	13	–	–	2	–	11	31	44	15	3
Benin	10	1	5	–	4	1	8	18	11	1
Bolivia	28	2	18	2	4	2	14	42	28	1
Burkina Faso	13	–	10	–	3	–	5	18	14	–
Cameroon 7/	32	–	8	4	9	11	18	51	36	4
C.A.R.	15	3	7	3	1	1	10	25	16	1
Chad	18	3	6	3	4	2	–	18	18	–
Côte d'Ivoire	26	2	11	6	1	5	10	36	27	1
Equatorial Guinea	13	3	4	1	4	1	16	29	14	–
Ethiopia 7/9/	18	–	8	–	3	8 10/	24	42	19	1
Guinea	21	1	5	1	4	9 11/	7	28	21	–
Guinea-Bissau	58	3	28	17	–	11	44	103	63	5
Guyana	22	6	10	1	3	1	15	37	25	3
Honduras	26	3	15	4	2	3	3	30	27	1
Madagascar	29	2	8	4	4	11	27	56	30	1
Mali	13	2	7	1	3	1	21	35	14	1
Mauritania	18	2	12	1	2	1	14	32	19	1
Mozambique	49	4	8	4	24	9	67	116	52	3
Nicaragua	48	3	28	10	6	2	142	190	63	15
Niger	16	–	12	2	3	–	15	31	18	2
Senegal	15	3	6	2	3	1	5	20	16	–
Sierra Leone	39	3	5	2	7	22	19	58	42	2
Tanzania 12/	16	1	6	3	4	1	16	32	16	1
Togo	13	3	5	1	3	1	14	27	14	1
Uganda 7/	25	5	11	8 13/	–	–	–	25	25	–
Zaïre	12	3	7	–	1	–	59	71	21	9
Zambia	19	2	9	2	6	–	18	37	21	1
Simple average	23	2	10	3	4	4	22	46	25	2

Source: IMF staff estimates.

1/ All 31 low-income countries that have not yet graduated from the rescheduling process (see Table 14 column 1), excluding Cambodia and Haiti as exit reschedulings and Liberia, Somalia, and Sudan due to lack of adequate data (e.g. on arrears composition); Uganda is included for reasons of continuity and comparison.
2/ Coverage of debt owed to non-Paris Club official creditors is in some cases incomplete pending full information on claims from certain creditors and resolution by debtors and creditors of disputed amounts.
3/ In some cases, in percent of exports of goods and nonfactor services.
4/ Previously rescheduled debt on Toronto terms or London terms.
5/ Includes borrowing after end-1994, short-term debt, gap financing, debt rescheduled on Naples terms, and other debt which have been excluded explicitly or implicitly from rescheduling such as debt owed by the private sector.
6/ Includes pre-cutoff date debt to Paris Club, other official bilateral, and private creditors.
7/ For fiscal year 1994/95.
8/ Includes debt service on oil-securitized debt (5 percent of exports).
9/ Excludes debt service on ruble-denominated debt to Russia because of lack of data.
10/ Includes debt service on Ethiopian Airlines' debt (6 percent of exports).
11/ Includes debt service on mining companies' debt (8 percent of exports).
12/ In percent of exports of goods and services and private transfers.
13/ Includes estimated debt service on restructured debt following stock-of-debt operation granted in February 1995 (6 percent of exports).

Appendix I, Box 2. Assumptions on Hypothetical Stock-of-Debt Operation[1]

The following are the key assumptions:

(i) For all countries, a 67 percent net present value (NPV) reduction is assumed except for Cameroon, Guinea, and Honduras where a 50 percent NPV reduction is assumed in line with Paris Club guidelines.

(ii) Debt previously rescheduled on concessional (Toronto or London) terms is not assumed to be restructured (or "topped up").[2]

(iii) Similar coverage is assumed to be accorded to all pre-cutoff date ODA debt.[3]

(iv) Debt to non-Paris Club bilateral creditors (including debt owed to Russia) and to private creditors is assumed to be dealt with in a manner comparable with the debt to Paris Club creditors.

Following such a stock-of-debt operation, principal payments would initially be eliminated or reduced to a very small fraction of the restructured debt stock, while scheduled interest payments would fall by roughly the amount of the net present value reduction of the debt stock. Specifically, if the stock-of-debt operation takes the form of the debt reduction (DR) option, the initial debt service on the restructured debt would be precisely 33 percent for a 67 percent reduction in NPV terms. Assuming that the stock-of-debt operation includes a debt-service reduction (DSR) option (or a capitalization of moratorium interest (CMI) option), debt service in the first year after such an operation would be slightly smaller than one-third of originally scheduled interest. For example, assuming proportions of a DR option, a DSR option, and a CMI option, at 40 percent, 55 percent, and 5 percent respectively, and a market interest rate of 10 percent, the ratio of debt service after a 67 percent stock-of-debt operation to originally scheduled interest is calculated at 28 percent.

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[1] For a further description of Naples terms, see Chapter V.

[2] Paris Club creditors have indicated that debt previously rescheduled on Toronto terms may be included in such an operation on a case-by-case basis, and in exceptional cases, debt previously rescheduled on London terms may be included.

[3] Under Naples terms, all pre-cutoff date ODA debt would be eligible for inclusion in a stock-of-debt operation. The exclusion of ODA debt previously rescheduled on concessional terms in the exercise considered here thus results in an overestimate of the debt service due after restructuring. This assumption was made owing to data limitations.

The lowering of debt service following a stock-of-debt operation on Naples terms would contribute significantly toward bringing the debt-service profiles of these countries closer to their underlying payments capacities. Overall debt service would decline to less than 20 percent of exports of goods and services in 1995 for 13 of the 27 countries. In 9 other countries, debt-service ratios would be between 20 and 30 percent. Five countries would face overall debt-service ratios in excess of 30 percent; in two cases (Cameroon, Sierra Leone), servicing of short-term debt accounts for a sizable portion of total obligations in 1995 and would be projected to decline over the medium term assuming that new financing is on concessional terms. 1/ The remaining countries (Guinea-Bissau, Mozambique and Nicaragua) face such large debt burdens that a 67 percent NPV reduction would result in debt-service profiles that would still appear to be unsustainable relative to their payments capacities. On this basis, these countries would not qualify for stock-of-debt operations under Naples terms, as the operations could not be exit reschedulings.

3. Medium-term analysis for 14 selected low-income countries

a. Introduction

This section examines the impact of hypothetical stock-of-debt operations on the medium- to long-term external positions of 14 countries that have already been granted a stock-of-debt operation (Uganda), or could be relatively early candidates for such an operation (Bolivia, Ethiopia, Guinea, Guyana, Mauritania, Sierra Leone), 2/ or whose debt burden is particularly difficult (Côte d'Ivoire, Honduras, Mozambique, Nicaragua, Senegal, Tanzania, and Zambia). 3/ Appendix I, Tables 3-16 (the scenario tables) present selected components of the medium-term balance of payments for these countries and derive, on an illustrative and hypothetical basis, the debt-service profile that would result from two scenarios: (i) continued flow reschedulings on Naples terms and (ii) a debt-stock operation on Naples terms. 4/

A debt-stock operation would need to be designed in a manner which ensures that the resulting debt-service profile is consistent with the attainment of a sustainable external debt burden. Appendix I, Box 3 describes the principal indicators used to assess external-debt sustainability.

b. Key macroeconomic assumptions

Key macroeconomic assumptions are the current account balance excluding interest, growth in GDP, and in exports of goods and services, and new financing (line 1 and the memorandum items of the scenario tables). Annual growth in real GDP ranging from 3 to 7 percent during this period (line 10 of each table) is assumed, reflecting strong adjustment efforts that would

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1/ For Cameroon and Sierra Leone, overall debt service in 1995 is boosted by deferred payments to Paris Club creditors arising from these countries' 1994 rescheduling agreements.

2/ See Official Financing for Developing Countries and their Debt Situation, SM/95/224, 9/1/95, Table 4 for the dates envisaged under current agreements for possible stock-of-debt operations.

3/ While there are several other countries facing heavy debt burdens (such as Cameroon, Guinea-Bissau, and Madagascar), they have not yet established the track records under IMF arrangements and Paris Club rescheduling agreements required for early stock-of-debt operations.

4/ The first scenario is redundant in the case of Uganda, as it received a stock-of-debt operation in February 1995.

Appendix I, Box 3. External-Debt Sustainability

The external position of a country could be considered sustainable if the country is expected to be able to meet its external obligations in full without future recourse to debt rescheduling or relief or the accumulation of arrears, over the medium or long term. Reducing the burden of current and future obligations to sustainable levels could also eliminate a possible discentive effect on investment and new capital inflows.

The key indicators for assessing sustainability could be:

- the ratio of scheduled debt service to exports of goods and services;

- the external financing gap--after allowing for projected inflows in the form of grant receipts, loan disbursements, and any commercial capital flows; and

- the ratio of the net present value (NPV) of the debt to exports.

The levels of the above indicators that could be considered sustainable vary from country to country depending on specific macroeconomic and other circumstances. As important as the starting levels of such indicators is their trend over the projection period. A country's external debt position might generally be considered sustainable over the projection period if:

- scheduled debt-service ratios were declining to below 20-25 percent of exports of goods and services;

- financing gaps were eliminated; and

- the ratios of the NPV of debt-to-exports decline to below 200-250 percent of exports.[1]

The definition of sustainability used here differs importantly from the normal Fund definition of medium-term viability which precludes recourse to further exceptional financing (such as the use of Fund resources). Given the heavy dependence of the heavily indebted poor countries on continued aid inflows including those of an exceptional nature, and the continued likely need for future use of ESAF resources, it would be extremely difficult for many of these countries to reach viability defined to exclude exceptional finance.

[1]Lack of necessary data--in particular on servicing of existing debt beyond 2014--precluded an analysis of the trends in NPV ratios in this paper. This would be facilitated by a reconciliation of existing external debt-service data maintained by Fund Area Departments with data in the World Bank's DRS.

result in a strengthening of savings, as well as structural reforms aimed at addressing the vulnerability of these economies arising from their highly concentrated export bases. Growth in exports of goods and services (line 11 of each table) in a number of cases is projected to be boosted by several additional factors, which are described in Appendix I, Box 4. In consequence, average growth in exports of goods and services is projected to be about 15 percent a year during 1995 and 1996, and subsequently to decelerate to around 7 percent per annum by the year 2014. 1/

1/ These projections are broadly consistent with those contained in the WEO.

Appendix I, Box 4. Projections of Exports of Goods and Services, 1995-2014

Developments in exports are projected to occur in the context of generally modest increases in export prices, except for the major coffee-producing countries (Ethiopia, Honduras, Nicaragua, Tanzania, and Uganda) where the full-year effect of the surge in coffee prices that took place in 1994 is expected to boost export growth to more than 10 percent during 1995. Rapid export growth in 1995 is also envisaged for Zambia owing to increased copper prices.

In several countries, exports are envisaged to rebound from extremely low (war-devastated) bases, such as in Mozambique and Sierra Leone; the projections in the latter case assume the end of the civil war in 1996. In Nicaragua, exports are projected to rebound following a sharp decline that occurred during the 1980s and early 1990s owing to civil war and economic mismanagement; at end-1994 the level of exports in real terms was around one-third of that during the late-1970s notwithstanding a strong increase since 1992.

In a number of countries, production is expected to be boosted by a significant expansion in capacity from the completion of major investment projects such as in Mozambique (natural gas and electricity during 1997-99) and Sierra Leone (diamond mining in 1997 and offshore oil drilling in 2000). Rapid export growth for the CFA countries (Côte d'Ivoire, Guinea, and Senegal) is envisaged over the next several years owing to increased competitiveness following the 1994 devaluation of the CFA franc.

By contrast, growth in export volume is projected to be lackluster in Zambia owing mainly to the depletion of existing copper reserves. Development of currently unexploited copper reserves is assumed to occur over the next several years, but production from these reserves is not expected to occur before 2003.

For the remainder of the countries, annual export growth in U.S. dollar terms is projected in the range of 5 to 7 percent during 1995-2014 (Appendix I, Table 18).

Notwithstanding the assumption of strong adjustment efforts, large, though declining, non-interest current account deficits are projected through the year 2014 in most cases, owing in part to the need to sustain or increase import levels to achieve targeted growth. Exceptions are Côte d'Ivoire and Guyana, where the non-interest current account is projected to be near balance or in surplus during the projection period; and Honduras, Mauritania, and to a much lesser extent Senegal, where the non-interest current account deficit is relatively modest. For Zambia, by contrast, the non-interest current account deficit is projected to rise somewhat from current levels as a result of low export growth.

These persistent non-interest current account deficits together with debt-servicing obligations and the need to build reserves require continuing sizable new financing inflows (line 12 of the scenario tables). In view of these countries' currently limited access to private financing sources and their low payment capacities, these flows are envisaged to continue to be in the form of grants and highly concessional financing from official sources. Exceptions to this are Honduras and Mozambique, where borrowing from private sources is projected; and Bolivia and Nicaragua, where borrowing on nonconcessional terms from regional multilateral institutions is assumed. 1/2/ On average for these countries, growth in new financing is projected at around 2 percent a year during 1995-2014, with declines in real terms assumed in virtually all cases reflecting pressures on aid budgets in donor countries. 3/ For all countries except Côte d'Ivoire, Ethiopia, Mauritania, Senegal, Sierra Leone, and Zambia, the projections assume some shift in new financing from grants to concessional lending, as their external positions strengthen.

Other components of the balance of payments are assumed to be unchanged for the purposes of this exercise, even though the recent experience of countries that concluded agreements with their commercial bank creditors suggests the possibility of increased access to both official and private sources of financing.

c. Scheduled debt service

Total scheduled debt service, distinguishing between that on restructurable and on nonrestructurable debt, is shown in section 2 of the scenario tables. 4/ The financing gaps that would result in the absence of debt restructuring are shown in line 7 (and summarized in Appendix I, Table 17). The scenario tables also illustrate the projected actual debt service and financing gaps that would result for each country under two alternative scenarios--continuous flow reschedulings on Naples terms and a stock-of-debt operation; the results are broadly similar (Appendix I, Box 5).

d. Debt and financing situation before stock-of-debt operation

Although there are wide variations in individual circumstances, most of these countries would not achieve sustainable debt burdens (as defined in Appendix I, Box 3) by the year 2002 in the absence of a stock-of-debt operation. Total scheduled debt service during 1995-2002 is projected to vary substantially among the 13 countries 5/--from around 20 percent of

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1/ In the case of Mozambique, this borrowing is envisaged to finance large scale investment in a natural gas project during 1997-98, which is expected to be reflected in higher exports.

2/ For 1995-97, projected external inflows are based, where available, on policy framework papers covering this period. PFPs have been agreed with the relevant country authorities and the Bank and Fund staffs for virtually all of the 14 countries examined in this appendix.

3/ Increases in new financing inflows in real terms are projected only for Guinea and Guyana. In the case of Guyana, the rapid growth reflects indications by donors that continued external support (from a currently low base) would be forthcoming in the context of further strong adjustment efforts.

4/ In the case of Uganda, all debt service is considered nonrestructurable following the stock-of-debt operation in February 1995.

5/ Excluding Uganda.

Appendix I, Box 5. Comparison of the Effects of Continuous Flow Reschedulings and Stock-of-Debt Operations

Appendix I, Tables 3 through 16 permit a comparison of the effects of continuous concessional flow reschedulings with stock-of-debt operations that have the same degree of concessionality in terms of net present value. *Projected actual debt service (lines 5 and 6 of the tables) under both scenarios is broadly similar.* However, under all cases, in the early years after these operations, projected debt service after *stock-of-debt operations is higher than under continuous flow reschedulings.*[1] In the outer years debt service under stock-of-debt operations is lower than under flow reschedulings. The *crossover point varies from country to country.*

This pattern arises because interest falling due during the consolidation period is rescheduled under flow reschedulings: part of this interest (the element not reduced in NPV terms) is capitalized and added to the debt outstanding which results in higher payments due (and a growing debt burden) in later years, assuming continuous flow reschedulings with unchanged coverage. By contrast, under stock-of-debt operations, payments of around one-third of *the originally due interest on restructurable debt* are due following such an operation assuming a 67 percent NPV reduction. This pattern is reflected in higher financing gaps in the early *years after stock operations (line 9 of tables)* than after continuous flow reschedulings (line 8); in later years the reverse can be observed.

[1]In recognition of the higher debt service that results in the early years after a debt-stock operation compared with a flow rescheduling, Naples terms provide for a temporary rescheduling of these additional obligations on a case-by-case basis.

exports of goods and services in 6 countries (Côte d'Ivoire, Guinea, Honduras, Senegal, Sierra Leone, and Tanzania), to around 30-40 percent in 5 countries (Bolivia, Ethiopia, Guyana, Mauritania, and Zambia), and two outliers (Mozambique and Nicaragua) where debt service is over 80 percent (Appendix I, Table 17). 1/ Total debt service is projected to decline substantially in the following period (2003-2014) to below 20 percent for all countries except Guyana and Zambia (around 25 percent), and Mozambique and Nicaragua (over 30 percent). This reflects the trend in recent years toward increased concessionality in lending by multilateral and bilateral creditors and the assumption that most new financing will continue to be on such terms.

1/ The bulk of scheduled debt service during this period reflects obligations to multilateral creditors, pre-cutoff date debt to official bilateral creditors (including Russia) and debt that was previously rescheduled on concessional terms (lines 3 and 4 of the scenario tables). By contrast, servicing of post-cutoff date debt is projected to amount to 5 percent or less of exports of goods and services for all countries.

On the basis of these medium-term projections, sizable financing gaps are projected to exist through 2002--and in some cases well beyond--which would need to be closed through further reschedulings of debt service on concessional terms (line 7 of the scenario tables). For some countries (Ethiopia, Mauritania, Mozambique, and Nicaragua), the existence of financing gaps through the year 2014 likely precludes the possibility of an exit from the rescheduling process throughout the projection period.

e. Effects of a hypothetical stock-of-debt operation on Naples terms

Notwithstanding the difficult balance of payments positions facing these countries, the overall debt burdens could be eased substantially in most cases by a stock-of-debt reduction, assuming that non-Paris Club official bilateral creditors and private creditors provide comparable treatment. Following a reduction in the stock of restructurable debt on the terms assumed, total debt-service ratios for all countries except Mozambique and Nicaragua would be 25 percent or less in 1995-2002 and would fall to 16 percent or below during 2003-2014 (Appendix I, Table 17). As a result, financing gaps would be largely eliminated for 8 of the 14 countries concerned, namely, Bolivia, Guinea, Guyana, Honduras, Mauritania, Senegal, Tanzania, and Uganda (Appendix I, Table 17, and line 9 of the scenario tables). For Sierra Leone, financing gaps are projected to increase during the three years (2000-2002) of heavy debt-service payments to the IMF (Appendix I, Table 13). For two additional countries, an elimination of financing gaps could be achieved by a stock-of-debt operation, provided that higher debt reduction is granted by Russia (in the case of Ethiopia) 1/ or by commercial banks (in the case of Côte d'Ivoire). 2/

On the basis of these illustrative projections, the remaining countries (Mozambique, Nicaragua, and Zambia) currently appear to have little prospect of achieving sustainable debt burdens through a stock-of-debt operation on Naples terms. Although overall debt-service ratios are projected to fall sharply after such an operation, sizable financing gaps would remain even in the context of strong and sustained adjustment efforts. For Mozambique and Zambia, debt service arising from previous reschedulings on concessional terms represents a sizable portion of nonrestructurable obligations and is projected to rise substantially at the end of this decade. The debt burden facing these countries could thus be alleviated somewhat by the inclusion in a stock-of-debt operation of debt previously rescheduled on concessional terms--as is provided for under Naples terms on a case-by-case basis

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1/ As indicated in Appendix I, Table 5, the projections for Ethiopia exclude ruble-denominated debt to Russia because of lack of debt-service data. The inclusion of these obligations would result in an increase in that country's debt burden.

2/ Côte d'Ivoire's debt to commercial banks (about US$6 billion) is assumed to be restructured at end-1995 under an agreement that would result in a NPV reduction of more than 67 percent. The servicing of the restructured debt stock is included in line 3 of Appendix I, Table 4.

(line 9.a. of Appendix I, Tables 10 and 16). 1/ Zambia's external position would remain difficult as repayments to the IMF following completion of the Rights Accumulation Program projected for end-1995 and the use of substantial ESAF resources would cause a sharp increase in the overall debt-service ratio to levels of around 40 percent of exports during 2001-2004, with consequent financing gaps, as is discussed below. Nicaragua faces an extremely large debt to Russia (as does--to a lesser extent--Mozambique) and the attainment of external viability in these countries would appear to require higher debt relief than provided for under Naples terms.

These results are broadly consistent with those that can be derived from the present value of debt-to-exports-ratios. For most countries, the ratio of the net present value of scheduled debt-service on end-1994 debt to that of exports (PV) would decline to 250 percent or less following a stock-of-debt operation (Appendix I, Table 17, last column). 2/ For three countries (Ethiopia, Mauritania and Uganda), PV ratios would decrease to levels ranging between 280 and 305 percent, but PV ratios would still be very high for Zambia (380 percent) and Nicaragua (425 percent).

As discussed in Appendix I, Box 3, the sustainability of a country's external position should be considered not only on the basis of the PV ratio for one year, but also in light of the trend over the projection period. For countries with rapidly growing exports or where external borrowing has been on increasingly concessional terms in recent years, PV ratios would likely decline over time. In these cases, consideration of only the current-year PV ratio would overstate the extent of the debt problem that the country is likely to face over the medium to long term. Lack of data precluded such an analysis for the projection period considered here.

f. Debt service to multilaterals

For some of these 14 countries, the attainment of external debt sustainability is made difficult by sizable obligations to multilateral institutions, particularly through the year 2002. The debt-service ratio on multilateral debt (including on new borrowing) is projected to average in excess of 15 percent of exports during 1995-2002 for Bolivia, Nicaragua, and Uganda, and between 10 and 14 percent for Guyana, Honduras, Mauritania, Mozambique, and Zambia (Appendix I, Table 17). 3/ Servicing of

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1/ All of the 14 countries would clearly face a more comfortable medium-term position if an extension of coverage were agreed in their case to include debt previously rescheduled on Toronto terms and London terms.

2/ The ratio of the present value of future debt-service payments on end-1994 debt (underlying line 6 of the scenario tables) to the average present value of exports during 1995-2014 (based on line 11 of the scenario tables) calculated at a discount rate of 7.27 percent (the OECD commercial interest reference rate for the U.S. dollar).

3/ In Nicaragua, the high debt service to multilaterals is attributable to both large-scale lending by these institutions in recent years, as well as the fact that part of this lending has been on nonconcessional terms.

multilateral debt by these countries is projected to ease somewhat during 2003-14 owing to the concessional nature of such lending in recent years and the relatively long maturities and grace period of these loans; debt-service ratios are projected to average below 10 percent during this period for all countries with the exception of Mauritania, Mozambique, Nicaragua, and Uganda. The above analysis of the effects of a hypothetical stock-of-debt operation suggests that this multilateral debt service would appear to be manageable for all countries except Mozambique, Nicaragua, and Zambia in the context of declining overall debt-service ratios and largely-eliminated financing gaps.

For several countries with high projected debt-servicing obligations to multilaterals, a large part is attributable to obligations to the IMF. 1/ Five of the 14 countries face debt service to the IMF amounting to at least 5 percent of exports of goods and services during some years of the projection period. Guyana faces debt service to the IMF of around 5 percent for the next six years: this would appear to be manageable in the context of total debt service of slightly over 20 percent following a stock-of-debt operation and no financing gaps. Debt service to the IMF by Uganda is projected to increase from 5 percent of exports of goods and services in 1994/95 to around 10 percent during 1996/97 through 1999/2000. Although the overall debt-service ratio is projected to be relatively high during this period (25 percent on average), this debt burden would appear to be manageable in the context of no financing gaps and a comfortable international reserves position. Mozambique faces debt service to the IMF of 5 percent of exports in 1997 and 1998.

Both Sierra Leone and Zambia are projected to face a sharp increase in debt service to the IMF around the turn of the century as a result of the ESAF borrowing at the end of their Rights Accumulation Programs; in the case of Zambia, the projection assumes the completion of the Rights Accumulation Program and conversion to an ESAF by end-1995. Sierra Leone's debt-service obligations to the IMF are projected to rise to 7 percent of projected exports during 2000-2002; while total debt service after a stock-of-debt operation rises as a result to 15 percent of exports and moderate financing gaps emerge, these obligations might be manageable. The burden potentially facing Zambia is more onerous, largely because of much larger accumulated arrears and slower growth in exports. As a result, Zambia faces potential debt service to the IMF peaking at 17 percent of exports in 2001, which raises total debt service after a stock-of-debt operation to nearly 40 percent of exports and creates large financing gaps. This is also the period of large payments to Paris Club creditors on debt previously rescheduled on Toronto and London terms; assuming this debt service is rescheduled to achieve a 67 percent NPV reduction, total debt service would average 25 percent of exports during 2000-2002, but sizable financing gaps would remain.

1/ Including debt-service from undisbursed amounts under existing ESAF arrangements.

g. Sensitivity analysis

This section examines the sensitivity of these countries' external positions to alternative assumptions on export growth and the terms of new financing. Under the first scenario, annual growth in exports of goods and services is assumed to be one percentage point lower, which by the end of the projection period would result in exports more than 20 percent lower than under the base case. 1/ If no other adjustment occurred, this would result in a considerable deterioration in these countries' external current account balances (Appendix I, Table 18). On average, the non-interest current account deficit as a share of exports of goods and services would be 6 percentage points higher during 1995-2002 and 14 percentage points higher during 2003-2014 than in the baseline scenario. For half of the countries (Côte d'Ivoire, Guinea, Guyana, Honduras, Mauritania, Senegal, and Tanzania), the noninterest current account deficit would increase during the projection period on the basis of this assumed lower export growth. This does not necessarily mean that sustainability would be threatened in all cases. In many cases, countries could adjust, for example, by lowering imports or shifting more resources to the export sector, though in some cases this could be at the expense of potential growth. These issues would have to be explored further in a country-specific sustainability analysis. Some countries--such as Ethiopia, Honduras, Sierra Leone, and Zambia--are more vulnerable to external shocks because their export base is less diversified than in other countries--such as Bolivia, Côte d'Ivoire, Guyana, and Tanzania.

In the second scenario, the interest rate on all lending taking place after end-1994 is assumed to be one-percentage point higher than in the base case. 2/ This would also result in a worsening of the medium-term balance of payments prospects of these countries (Appendix I, Table 19). In the absence of other changes, overall debt-service ratios following a stock-of-debt operation would, on average, be two percentage points higher during 2003-2014 than in the base case; these increased debt-servicing needs would result in higher financing gaps throughout the projection horizon. As noted above, this does not necessarily mean that sustainability would be threatened in all cases.

h. Conclusions

A number of broad conclusions emerge from this partial analysis of debt sustainability (as defined in Appendix I, Box 3) which are subject to the caveats noted above about the tentative nature of the underlying scenarios.

- Most of these 14 low-income rescheduling countries face extremely high scheduled debt-service burdens. As a result of these difficulties, graduation from the rescheduling process remains a distant prospect and there appears to be little realistic alternative to resolution of these

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1/ For base case assumptions, see columns 1 and 3 of Appendix I, Table 18.

2/ For base case assumptions, see column 1 of Appendix I, Table 19.

difficulties through a restructuring of the stock of debt. According to the hypothetical exercise considered in this chapter, such a restructuring of the stock of debt would contribute significantly toward bringing debt-service profiles closer to these countries' underlying payments capacities, provided that comparable treatment is provided by non-Paris Club official bilateral creditors and private creditors.

- The medium-term external positions of these 14 countries are projected to remain very difficult and most would not achieve sustainable debt burdens over the next decade in the absence of a stock-of-debt operation. Following a reduction on Naples terms in the stock of restructurable debt to bilateral and commercial creditors, the need for additional exceptional financing would be largely eliminated for all but three of these countries. Those three countries (Mozambique, Nicaragua, and Zambia) face such large debt burdens that a stock-of-debt operation on Naples terms would not result in debt-service profiles that would appear to be sustainable, though the external positions of Mozambique and Zambia could be eased further by more generous coverage of pre-cutoff date debt owed to Paris Club creditors.

- Many of these 14 countries face sizable obligations to multilateral institutions (including to the IMF), particularly through the year 2002. This multilateral debt burden would appear to be sustainable following a stock-of-debt operation for all 14 countries with the exception of Mozambique, Nicaragua, Zambia, and possibly Sierra Leone. In Mozambique and Nicaragua, obligations to multilaterals are projected to account for a relatively small portion of total debt service, and a resolution to the overall debt burden would require larger debt and debt-service reductions by official bilateral creditors.

- The external positions of these 14 countries are highly sensitive to assumptions on export growth and the terms of new financing. Lower export growth or more expensive new financing would result in a worsening of medium- to long-term balance of payments prospects.

- The need to finance large non-interest current account deficits and scheduled debt-service obligations would require continued large net resource flows on concessional terms even in the context of a stock-of-debt reduction. Although a definitive exit restructuring would likely result in improved access to capital flows, both the magnitude of these resource requirements and the limited payment capacities of these 14 countries severely limit the role of debt-creating flows on nonconcessional terms.

Table 3. Bolivia: Medium-Term Debt Service Profile, 1995-2014

	1995	1996	1997	1998	1999	2000	2001	2002	2014	Average 1995-2002	Average 2003-2014
						(In percent of exports of goods and services)					
1. Non-interest current account deficit (-: surplus)	37	47	47	33	28	22	16	15	7	31	11
2. Total scheduled debt service	42	38	33	30	27	24	23	22	8	30	12
3. Nonrestructurable debt	28	28	26	24	24	23	22	21	8	24	12
Fund	2	3	3	3	2	2	2	2	--	2	--
Other multilaterals	18	19	17	14	12	10	9	8	1	13	3
Previously rescheduled on Toronto and London terms	4	3	3	3	4	3	3	3	1	3	3
New borrowing	--	1	2	3	4	5	5	6	5	3	5
(Of which: multilateral)	(--)	(1)	(2)	(2)	(3)	(3)	(4)	(4)	(3)	(2)	(4)
Other 1/	3	2	2	2	2	2	2	3	1	2	2
4. Restructurable debt 5/	14	9	7	6	3	2	1	1	--	5	--
Principal	12	8	6	5	3	1	1	1	--	5	--
Interest	2	2	1	1	--	--	--	--	--	1	--
Projected actual debt service											
5. After continuous flow reschedulings 2/	27	28	26	24	24	23	22	21	8	24	12
Of which: on restructured debt	--	1	1	1	1	1	1	1	1	1	1
6. After 67 percent NPV stock operation 3/	28	28	26	24	23	22	21	20	7	24	11
Of which: on restructured debt	1	1	1	1	--	--	--	--	--	--	--
						(In millions of U.S. dollars)					
Financing gap (-:surplus)											
7. Before debt restructuring 4/	180	130	107	85	55	--	--	--	--	70	--
8. After continuous flow reschedulings 2/	-1	5	11	-2	--	-28	-28	-30	1	-9	-13
9. After 67 percent NPV stock operation 3/	2	4	7	-8	-8	-37	-39	-43	-30	-15	-35
						(Percent change)					
Memorandum items:											
10. Constant-price GDP	5	5	6	6	5	5	5	5	5	5	5
11. Exports of goods and services (US$ terms)	3	5	8	10	7	7	7	7	7	7	7
12. New financing	6	-16	-3	1	1	1	1	1	1	-1	1
Grants	-2	-14	-3	--	--	--	--	--	--	-2	--
Loans	13	-18	-3	1	1	1	1	1	1	--	1
13. Multilateral debt service (In percent of exports of goods and services)	(21)	(22)	(21)	(19)	(17)	(16)	(14)	(13)	(5)	(18)	(7)

Source: IMF staff estimates.

1/ Includes post-cutoff date debt, short-term debt, private sector debt, and gap financing.
2/ On Naples terms according to terms described in Appendix 1, Box 2.
3/ Assumed to take place on January 1, 1995.
4/ Assumes 1995 Paris Club agreement and debt relief from Argentina is not in force.
5/ Includes debt to Brazil.

Table 4. Côte d'Ivoire: Medium-Term Debt Service Profile, 1995-2014

	1995	1996	1997	1998	1999	2000	2001	2002	2014	Average 1995-2002	Average 2003-2014
						(In percent of exports of goods and services)					
1. Non-interest current account deficit (-: surplus)	-8	-6	-1	-1	–	1	2	2	4	-1	2
2. Total scheduled debt service	36	30	25	21	19	19	18	17	6	23	9
3. Nonrestructurable debt	26	21	18	14	14	14	13	13	6	16	8
Fund	2	1	1	–	–	1	1	–	–	1	–
Other multilaterals	11	10	9	8	6	5	3	3	–	7	1
Previously rescheduled on Toronto and London terms	1	1	1	1	1	1	1	1	1	1	1
New borrowing	1	1	1	1	2	4	5	6	4	3	5
(Of which: multilateral)	(–)	(–)	(–)	(1)	(1)	(1)	(1)	(1)	(–)	(1)	(1)
Other 1/	11	8	6	3	4	3	3	2	–	8	3
4. Restructurable debt	10	9	8	8	6	5	5	4	–	7	1
Principal	6	5	5	6	4	4	4	4	–	5	1
Interest	4	4	3	2	2	1	1	1	–	2	–
Projected actual debt service											
5. After continuous flow reschedulings 2/	26	22	18	14	15	15	14	14	6	17	9
Of which: on restructured debt	–	1	1	1	1	1	1	1	1	1	1
6. After 67 percent NPV stock operation 3/	27	22	19	15	15	15	14	14	6	18	8
Of which: on restructured debt	1	1	1	1	1	1	1	1	–	1	1
						(In millions of U.S. dollars)					
Financing gap (-:surplus)											
7. Before debt restructuring 4/	419	374	270	332	232	237	243	224	-83	292	7
8. After continuous flow reschedulings 2/	12	22	-51	-17	-5	2	11	19	66	-1	50
9. After 67 percent NPV stock operation 3/	50	50	-34	-7	-4	-6	-5	-6	-4	5	-4
						(Percent change)					
Memorandum items:											
10. Constant-price GDP	6	7	6	6	6	6	6	6	7	6	7
11. Exports of goods and services (US$ terms)	19	7	7	8	7	7	8	8	9	9	9
12. New financing	-19	–	-17	-2	-5	-11	–	–	15	-7	3
Grants	146	14	28	9	-11	-11	-10	-10	-10	19	-10
Loans	123	-1	-21	-4	-4	-11	1	1	16	-8	3
13. Multilateral debt service (In percent of exports of goods and services)	(14)	(12)	(10)	(8)	(7)	(6)	(5)	(5)	(–)	(8)	(2)

Source: IMF staff estimates.

1/ Includes post-cutoff date debt, short-term debt, private sector debt, gap financing, and debt service to commercial banks following a debt-restructuring agreement that is assumed to be reached at end-1995.
2/ On Naples terms according to terms described in Appendix 1, Box 2.
3/ Assumed to take place on January 1, 1995.
4/ Assumes 1994 Paris Club agreement is not in force.

Table 5. Ethiopia: Medium-Term Debt Service Profile, 1994/95-2013/2014 6/

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2013/14	Average 1994/95-2001/02	Average 2002/03-2013/14
	(In percent of exports of goods and services)										
1. Non-interest current account deficit (-: surplus)	70	46	70	64	49	49	43	41	20	54	29
2. Total scheduled debt service	42	37	33	34	39	35	32	29	9	35	15
3. Nonrestructurable debt	18	20	21	22	26	24	22	21	6	22	11
Fund	--	--	--	--	1	1	1	1	--	1	--
Other multilaterals	8	8	8	9	10	9	8	8	3	9	5
Previously rescheduled on Toronto and London terms	3	2	2	2	2	2	2	2	1	2	2
New borrowing	1	5	3	1	2	3	3	3	1	3	2
(Of which: multilateral)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Other 1/	1	5	8	9	11	9	8	8	2	7	9
4. Restructurable debt	24	16	12	12	12	11	9	8	2	13	4
Principal	19	13	10	10	10	10	8	6	2	11	3
Interest	5	3	2	2	2	2	1	1	1	2	1
Projected actual debt service											
5. After continuous flow reschedulings 2/	19	21	22	23	28	25	24	23	8	23	13
Of which: on restructured debt	1	1	1	2	2	2	3	3	2	2	3
6. After 67 percent NPV stock operation 3/	19	21	21	23	27	24	22	21	6	22	
Of which: on restructured debt	1	1	1	1	1	1	1	1	1	1	1
	(In millions of U.S. dollars)										
Financing gap (-:surplus)											
7. Before debt restructuring 4/5/	672	50	90	71	66	64	38	51	65	51 7/	75
8. After continuous flow reschedulings 2/5/	500	-98	-26	-34	-35	-36	-49	-23	54	-39 7/	40
9. After 67 percent NPV stock operation 3/5/	504	-97	-30	-40	-45	-49	-66	-43	-6	-46 7/	-1
	(Percent change)										
Memorandum items:											
10. Constant-price GDP	6	6	6	6	6	6	6	6	6	6	6
11. Exports of goods and services (US$ terms)	26	27	8	-6	-3	7	9	9	10	10	9
12. New financing	6	-4	33	-12	-18	6	-1	-1	--	1	--
Grants	54	-10	3	3	-1	-1	-1	-1	1	6	--
Loans	-25	4	67	-22	-34	16	-1	-1	-1	--	-1
13. Multilateral debt service (In percent of exports of goods and services)	(8)	(8)	(8)	(9)	(11)	(11)	(10)	(9)	(3)	(9)	(5)

Source: IMF staff estimates.
1/ Includes post-cutoff date debt, short-term debt, private sector debt, gap financing, and debt owed by Ethiopian Airlines.
2/ On Naples terms according to terms described in Appendix 1, Box 2.
3/ Assumed to take place at beginning of 1994/95.
4/ Assumes 1992 Paris Club agreement is not in force.
5/ For 1994/95 includes the clearance of US$590 million in arrears to non-Paris Club official creditors, all of which are projected to be restructured.
6/ Excludes debt service on ruble-denomonated debt to Russia because of lack of debt-service data.
7/ Excludes arrears clearance.

Table 6. Guinea: Medium-Term Debt Service Profile, 1995-2014

	1995	1996	1997	1998	1999	2000	2001	2002	2014	Average 1995-2002	Average 2003-2014
					(In percent of exports of goods and services)						
1. Non-interest current account deficit (-: surplus)	31	26	26	26	18	19	19	17	14	23	17
2. Total scheduled debt service	28	25	23	22	20	19	20	19	15	22	16
3. Nonrestructurable debt	21	21	21	21	18	18	19	18	14	20	15
Fund	1	1	1	1	1	1	1	1	--	1	--
Other multilaterals	5	4	4	4	3	3	3	3	1	4	2
Previously rescheduled on Toronto and London terms	3	3	4	4	3	3	2	2	1	3	3
New borrowing	1	2	2	2	2	3	5	5	9	3	7
(Of which: multilateral)	(1)	(1)	(2)	(2)	(2)	(3)	(4)	(4)	(7)	(2)	(6)
Other 1/	9	11	11	10	8	8	7	7	3	11	8
4. Restructurable debt	7	3	2	1	2	2	2	1	--	3	1
Principal	6	3	1	1	2	2	2	1	--	2	1
Interest	1	--	--	--	--	--	--	--	--	--	--
Projected actual debt service											
5. After continuous flow reschedulings 2/	21	22	22	21	18	18	19	18	15	20	15
Of which: on restructured debt	--	--	--	--	1	1	1	1	1	--	1
6. After 50 percent NPV stock operation 3/	21	22	21	21	18	17	18	17	14	20	14
Of which: on restructured debt	--	--	--	--	--	--	--	--	--	--	--
						(In millions of U.S. dollars)					
Financing gap (-:surplus)											
7. Before debt restructuring 4/5/	245	14	4	2	2	1	--	--	--	8 6/	--
8. After continuous flow reschedulings 2/5/	195	-12	-9	-9	-21	-18	-18	-19	-3	-10 6/	-11
9. After 50 percent NPV stock operation 3/5/	195	-13	-10	-12	-25	-23	-24	-27	-28	-13 6/	-27
							(Percent change)				
Memorandum items:											
10. Constant-price GDP	5	5	5	5	5	5	5	5	5	5	5
11. Exports of goods and services	13	13	7	6	15	5	7	9	8	10	8
12. New financing	18	18	6	12	-5	5	2	3	8	7	7
Grants	23	--	9	7	--	6	-1	-6	8	5	8
Loans	13	34	4	16	-8	4	4	9	8	10	7
13. Multilateral debt service (In percent of exports of goods and services)	(8)	(6)	(7)	(7)	(6)	(7)	(8)	(8)	(9)	(7)	(8)

Source: IMF staff estimates.

1/ Includes post-cutoff date debt, short-term debt, private sector debt, gap financing, and debt owed by mining companies.

2/ On Naples terms according to terms described in Appendix 1, Box 2.

3/ Assumed to take place on January 1, 1995.

4/ Assumes 1995 Paris Club agreement is not in force.

5/ For 1995, includes US$190 million in clearance of arrears to non-Paris Club official bilateral creditors, all of which are projected to be restructured.

6/ Excludes arrears clearance.

Table 7. Guyana: Medium-Term Debt Service Profile, 1995-2014

	1995	1996	1997	1998	1999	2000	2001	2002	2014	Average 1995-2002	Average 2003-2014
						(In percent of exports of goods and services)					
1. Non-interest current account deficit (-: surplus)	3	1	1	2	1	–	-2	-1	-4	1	-5
2. Total scheduled debt service	37	34	31	29	25	30	35	33	19	32	25
3. Nonrestructurable debt	22	20	20	18	16	21	19	18	19	19	18
Fund	6	5	6	4	4	5	3	3	--	5	1
Other multilaterals	10	9	9	8	7	9	8	7	2	8	4
Previously rescheduled on Toronto and London terms	3	3	3	2	2	4	4	3	1	3	3
New borrowing	--	--	1	1	1	1	2	2	8	1	6
(Of which: multilateral)	(--)	(--)	(--)	(--)	(--)	(1)	(1)	(1)	(5)	(--)	(3)
Other 1/	3	2	2	3	2	2	2	2	8	2	2
4. Restructurable debt	15	14	12	11	9	9	17	16	--	13	7
Principal	5	5	4	3	2	3	11	10	--	5	5
Interest	10	9	8	7	7	6	6	5	--	7	2
Projected actual debt service											
5. After continuous flow reschedulings 2/	22	21	20	19	17	22	20	19	6	20	11
Of which: on restructured debt	--	1	1	1	2	2	2	3	4	1	4
6. After 67 percent NPV stock operation 3/	25	23	22	20	18	23	20	19	2	21	9
Of which: on restructured debt	3	3	3	3	3	2	2	2	2	3	2
						(In millions of U.S. dollars)					
Financing gap (-:surplus)											
7. Before debt restructuring	49	56	49	50	42	47	94	100	--	61	19
8. After continuous flow reschedulings 2/	-20	-10	-9	-6	-7	-5	-7	2	-156	-8	-111
9. After 67 percent NPV stock operation 3/	-9	-1	-1	1	-1	--	-5	1	-202	-2	-133
						(Percent change)					
Memorandum items:											
10. Constant-price GDP	6	3	3	3	3	3	3	3	3	3	3
11. Exports of goods and services (US$ terms)	22	6	7	5	4	5	6	4	4	7	5
12. New financing	63	3	-6	1	1	5	4	3	7	9	5
Grants	44	-31	--	11	--	10	--	--	5	4	5
Loans	68	9	-7	--	1	4	4	4	7	10	5
13. Multilateral debt service (In percent of exports of goods and services)	(16)	(15)	(14)	(12)	(12)	(14)	(12)	(11)	(7)	(13)	(8)

Source: IMF staff estimates.

1/ Includes post-cutoff date debt, short-term debt, private sector debt, and gap financing.
2/ On Naples terms according to terms described in Appendix 1, Box 2.
3/ Assumed to take place on January 1, 1995.

Table 8. Honduras: Medium-Term Debt Service Profile, 1995-2014

	1995	1996	1997	1998	1999	2000	2001	2002	2014	Average 1995-2002	Average 2003-2014
						(In percent of exports of goods and services)					
1. Non-interest current account deficit (-: surplus)	-1	-1	1	2	3	4	4	5	5	2	5
2. Total scheduled debt service	30	27	26	24	22	20	17	16	7	23	10
3. Nonrestructurable debt	26	25	24	22	21	19	17	15	7	21	10
Fund	3	3	1	--	--	--	1	1	--	1	--
Other multilaterals	15	16	15	14	13	11	9	8	1	12	3
Previously rescheduled on Toronto and London terms	2	2	2	2	2	2	1	1	--	2	2
New borrowing	--	1	1	2	2	2	2	2	5	2	5
(Of which: multilateral)	(--)	(--)	(1)	(1)	(1)	(1)	(1)	(1)	(--)	(1)	(--)
Other 1/	6	4	4	4	4	4	4	3	--	5	4
4. Restructurable debt	3	3	2	2	1	1	1	1	--	2	1
Principal	2	2	1	1	1	1	--	--	--	1	1
Interest	1	1	1	1	1	1	--	--	--	1	--
Projected actual debt service											
5. After continuous flow reschedulings 2/	26	25	24	23	21	20	17	16	7	22	10
Of which: on restructured debt	--	--	--	--	--	--	--	1	1	--	1
6. After 50 percent NPV stock operation 3/	27	25	24	23	21	20	17	16	7	22	10
Of which: on restructured debt	1	1	1	1	1	1	1	--	--	1	--
						(In millions of U.S. dollars)					
Financing gap (-:surplus)											
7. Before debt restructuring 4/5/	257	37	37	37	52	42	17	--	--	23 6/	--
8. After continuous flow reschedulings 2/5/	205	-4	6	11	34	30	14	-2	25	5 6/	1
9. After 50 percent NPV stock operation 3/5/	212	1	9	13	35	31	14	-2	12	7 6/	-8
						(Percent change)					
Memorandum items:											
10. Constant-price GDP	5	5	5	5	5	5	5	5	5	5	5
11. Exports of goods and services (U.S. dollar terms)	33	5	-5	4	7	7	7	7	7	8	7
12. New financing	17	-12	-6	-1	-5	5	--	6	2	1	3
Grants	3	--	--	--	--	--	--	--	--	--	--
Loans	22	-16	-7	-2	-7	8	--	8	2	1	4
13. Multilateral debt service (In percent of exports of goods and services)	(18)	(19)	(17)	(15)	(14)	(12)	(10)	(9)	(1)	(14)	(3)

Source: IMF staff estimates.

1/ Includes post-cutoff date debt, short-term debt, private sector debt, and gap financing.
2/ On Naples terms according to terms described in Appendix 1, Box 2.
3/ Assumed to take place on January 1, 1995.
4/ Assumes 1992 Paris Club agreement is not in force.
5/ For 1995 includes the clearance of $248 million in arrears to non-Paris Club official bilateral creditors and suppliers, of which US$213 million is projected to be restructured.
6/ Excludes arrears clearance in 1995.

Table 9. Mauritania: Medium-Term Debt Service Profile, 1995-2014

	1995	1996	1997	1998	1999	2000	2001	2002	2014	Average 1995-2002	Average 2003-2014
					(In percent of exports of goods and services)						
1. Non-interest current account deficit (-: surplus)	6	5	3	1	1	2	3	3	1	3	3
2. Total scheduled debt service	32	33	33	31	30	28	23	23	16	29	18
3. Nonrestructurable debt	18	19	18	17	17	17	17	16	13	17	14
Fund	2	2	2	1	2	2	1	1	–	2	–
Other multilaterals	12	13	12	11	10	9	9	9	5	11	7
Previously rescheduled on Toronto and London terms	2	2	2	2	2	2	2	2	1	2	2
New borrowing	1	1	1	1	1	2	2	3	6	1	4
(Of which: multilateral)	(--)	(--)	(1)	(1)	(1)	(1)	(2)	(2)	(4)	(1)	(3)
Other 1/	1	2	2	2	2	2	2	2	1	1	2
4. Restructurable debt 4/	14	14	15	14	13	11	7	6	3	12	4
Principal	9	9	10	9	8	7	4	4	2	8	3
Interest	5	5	4	5	4	4	3	3	1	4	2
Projected actual debt service											
5. After continuous flow reschedulings 2/	18	20	19	19	19	19	19	18	16	19	16
Of which: on restructured debt	--	1	1	1	2	2	2	2	3	1	3
6. After 67 percent NPV stock operation 3/	19	20	19	18	18	18	17	17	13	18	15
Of which: on restructured debt	1	1	1	1	1	1	1	1	1	1	1
						(In millions of U.S. dollars)					
Financing gap (-:surplus)											
7. Before debt restructuring 5/	207	110	94	76	60	48	59	25	1	52 6/	10
8. After continuous flow reschedulings 2/5/	142	46	20	4	-8	-10	27	-5	-4	6 6/	-7
9. After 67 percent NPV stock operation 3/5/	146	48	20	2	-12	-16	19	-15	-34	4 6/	-27
						(Percent change)					
Memorandum items:											
10. Constant-price GDP	4	4	5	5	5	5	5	5	5	4	5
11. Exports of goods and services (U.S. dollar terms)	12	4	8	8	6	6	7	6	5	7	6
12. New financing	-25	-7	5	3	5	12	4	4	4	--	--
Grants	4	-7	5	3	4	13	3	2	5	4	--
Loans	-53	-6	7	3	6	8	5	7	4	-3	1
13. Multilateral debt service (In percent of exports of goods and services)	(14)	(16)	(14)	(13)	(13)	(12)	(12)	(12)	(9)	(13)	(10)

Source: IMF staff estimates.

1/ Includes post-cutoff date debt to Paris Club creditors, private sector debt, and gap financing.
2/ On Naples terms according to terms described in Appendix 1, Box 2.
3/ Assumed to take place on January 1, 1995.
4/ Includes all debt to non-Paris Club official creditors, and passive debt.
5/ For 1995 includes the clearance of US$156 million in arrears to non-Paris Club official creditors and private creditors. Assumes 1995 Paris Club rescheduling agreement is not in force.
6/ Excludes arrears clearance in 1995.

Table 10. Mozambique: Medium-Term Debt Service Profile, 1995-2014

	1995	1996	1997	1998	1999	2000	2001	2002	2014	Average 1995-2002	Average 2003-2014
						(In percent of exports of goods and services)					
1. Non-interest current account deficit (-: surplus)	143	128	126	90	55	51	46	41	14	85	26
2. Total scheduled debt service	116	93	84	82	67	72	64	58	22	80	32
3. Nonrestructurable debt	49	51	56	55	55	62	56	52	21	55	30
Fund	4	4	5	5	4	4	3	2	--	4	--
Other multilaterals	8	9	8	7	6	6	5	6	1	7	3
Previously rescheduled on Toronto and London terms	24	23	21	17	18	26	22	19	2	23	20
New borrowing	1	2	9	15	16	15	14	13	11	11	13
(Of which: multilateral)	(1)	(2)	(2)	(3)	(3)	(3)	(3)	(4)	(8)	(3)	(7)
Other 1/	13	14	13	12	11	11	12	11	7	13	11
4. Restructurable debt	67	42	28	27	12	9	8	7	--	25	1
Principal	57	35	23	20	9	8	7	6	--	21	1
Interest	10	7	5	7	3	1	1	1	--	4	--
Projected actual debt service											
5. After continuous flow reschedulings 2/	51	54	52	52	53	60	54	50	18	53	28
Of which: on restructured debt	2	3	3	3	3	3	3	3	2	3	2
6. After 67 percent NPV stock operation 3/	52	54	51	51	51	58	52	47	16	52	26
Of which: on restructured debt	3	3	2	2	2	1	1	1	1	2	1
6a. After 67 percent NPV stock operation assuming greater coverage 3/5/	39	41	37	38	37	35	32	29	15	36	21
						(In millions of U.S. dollars)					
Financing gap (-:surplus)											
7. Before debt restructuring 4/	327	318	286	326	262	340	320	320	30	312	155
8. After continuous flow reschedulings 2/	38	106	114	120	145	237	220	220	-73	150	83
9. After 67 percent NPV stock operation 3/	42	105	108	108	130	219	198	195	-138	138	37
9a. After 67 percent NPV stock operation assuming greater coverage 3/5/	-14	40	32	24	14	5	-3	-11	-189	11	-44
						(Percent change)					
Memorandum items:											
10. Constant-price GDP	4	5	7	9	9	6	6	6	6	7	6
11. Exports of goods and services (U.S. dollar terms)	1	13	21	27	20	10	12	11	9	14	9
12. New financing	-17	-3	17	1	-11	5	1	1	--	-1	1
Grants	-23	2	2	2	2	2	2	2	1	-1	2
Loans	-2	-12	47	--	-28	12	-2	-2	-1	2	-1
13. Multilateral debt service (In percent of exports of goods and services)	(12)	(15)	(16)	(15)	(13)	(13)	(12)	(12)	(9)	(13)	(10)

Source: IMF staff estimates.

1/ Includes post-cutoff date debt, short-term debt, private sector debt, and gap financing.

2/ On Naples terms according to terms described in Appendix 1, Box 2.

3/ Assumed to take place on January 1, 1995.

4/ Assumes 1994 Paris Club agreement is not in force.

5/ To include debt previously rescheduled on Toronto and London terms.

Table 11. Nicaragua: Medium-Term Debt Service Profile, 1995-2014

	1995	1996	1997	1998	1999	2000	2001	2002	2014	Average 1995-2002	Average 2003-2014
						(In percent of exports of goods and services)					
1. Non-interest current account deficit (-: surplus)	75	65	58	50	41	36	33	31	4	49	14
2. *Total scheduled debt service*	190	115	124	93	81	72	53	52	21	97	32
3. Nonrestructurable debt	48	39	45	41	39	38	37	38	18	41	26
Fund	3	2	--	--	--	1	3	4	--	2	1
Other multilaterals	28	22	19	18	15	13	11	9	--	17	2
Previously rescheduled on Toronto and London terms	6	--	6	6	5	4	3	3	1	4	4
New borrowing	--	2	5	7	10	12	15	16	15	9	17
(Of which: multilateral)	(--)	(2)	(4)	(5)	(8)	(10)	(11)	(13)	(12)	(7)	(14)
Other 1/	12	13	15	9	8	7	6	6	3	13	7
4. Restructurable debt	142	76	79	52	42	34	16	14	3	57	7
Principal	89	56	66	42	34	28	14	13	2	43	6
Interest	53	20	13	10	8	6	1	1	--	14	--
Projected actual debt service											
5 After continuous flow reschedulings 2/	52	44	51	48	46	46	45	46	24	47	32
Of which: on restructured debt	4	6	8	9	9	9	9	9	7	8	8
6 After 67 percent NPV stock operation 3/	63	52	56	52	48	47	46	46	23	51	32
Of which: on restructured debt	15	14	13	12	11	10	10	9	5	12	7
						(In millions of U.S. dollars)					
Financing gap (-:surplus)											
7. Before debt restructuring 4/	4903	445	503	368	333	298	182	200	44	310 5/	138
8. After continuous flow reschedulings 2/	22	31	40	50	60	68	109	140	134	65	153
9. After 67 percent NPV stock operation 3/	81	78	73	78	78	77	114	142	95	90	133
						(Percent change)					
Memorandum items:											
10. Constant-price GDP	4	5	5	6	6	6	6	6	6	6	6
11. Exports of goods and services (U.S. dollar terms)	19	9	9	10	12	11	8	8	6	11	8
12. New financing	-8	-9	2	1	--	--	-2	--	--	-2	--
Grants	-18	-17	--	--	--	--	-3	--	--	-5	1
Loans	-1	-5	3	1	--	--	-2	--	--	--	--
13. Multilateral debt service (In percent of exports of goods and services)	(31)	(26)	(24)	(24)	(24)	(24)	(25)	(26)	(12)	(25)	(17)

Source: IMF staff estimates.

1/ Includes post-cutoff date debt, short-term debt, private sector debt, and gap financing.
2/ On Naples terms according to terms described in Appendix 1, Box 2.
3/ Assumed to take place on January 1, 1995.
4/ Assumes 1995 Paris Club agreement is not in force.
5/ Excludes US$4136 million in arrears clearance in 1995.

Table 12. Senegal: Medium-Term Debt Service Profile, 1995-2014

	1995	1996	1997	1998	1999	2000	2001	2002	2014	Average 1995-2002	Average 2003-2014
	(In percent of exports of goods and services)										
1. Non-interest current account deficit (-: surplus)	15	15	14	13	13	11	11	10	6	13	7
2. Total scheduled debt service	20	19	19	16	14	14	13	12	6	16	8
3. Nonrestructurable debt	15	14	15	14	12	12	12	11	5	13	7
Fund	3	3	4	4	2	1	2	2	–	3	–
Other multilaterals	6	6	5	5	4	5	4	4	1	5	2
Previously rescheduled on Toronto and London terms	2	2	2	2	2	3	3	2	1	2	3
New borrowing	–	1	1	1	1	1	1	1	3	1	2
(Of which: multilateral)	(–)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(2)	(1)	(2)
Other 1/	3	3	3	2	2	2	2	2	1	3	2
4. Restructurable debt	5	4	3	2	2	2	1	1	–	3	1
Principal	4	4	3	2	2	1	1	1	–	2	–
Interest	1	1	1	–	–	–	–	–	–	1	–
Projected actual debt service											
5. After continuous flow reschedulings 2/	15	14	15	14	12	12	12	11	6	13	8
Of which: on restructured debt	–	–	–	–	–	–	1	1	1	–	1
6. After 67 percent NPV stock operation 3/	15	15	15	14	12	12	12	11	5	13	7
Of which: on restructured debt	–	–	–	–	–	–	–	–	–	–	–
	(In millions of U.S. dollars)										
Financing gap (-:surplus)											
7. Before debt restructuring 4/5/	174	141	70	14	14	17	16	15	2	38 6/	4
8. After continuous flow reschedulings 2/5/	97	71	15	-24	-21	-9	-5	-5	11	3 6/	1
9. After 67 percent NPV stock operation 3/5/	100	71	14	-26	-24	-14	-11	-12	-7	1 6/	-12
	(Percent change)										
Memorandum items:											
10. Constant-price GDP	5	5	5	5	5	5	5	5	5	5	5
11. Exports of goods and services (U.S. dollar terms)	11	5	5	7	5	5	6	6	5	6	5
12. New financing	-16	-13	1	1	1	–	–	–	–	-3	-1
Grants	-19	-6	2	2	2	1	–	–	–	-2	-1
Loans	-10	-24	-1	-1	-1	-1	–	–	–	-5	-1
13. Multilateral debt service (In percent of exports of goods and services)	(10)	(10)	(10)	(9)	(7)	(7)	(7)	(7)	(4)	(8)	(5)

Source: IMF staff estimates.
1/ Includes post-cutoff date debt, short-term debt, private sector debt, and gap financing.
2/ On Naples terms according to terms described in Appendix 1, Box 2.
3/ Assumed to take place on January 1, 1995.
4/ Assumes 1995 Paris Club agreement is not in force.
5/ For 1995, includes US$85 million in arrears clearance to official bilateral creditors through cash payments.
6/ Excludes arrears clearance in 1995.

Table 13. Sierra Leone: Medium-Term Debt Service Profile, 1995-2014

	1995	1996	1997	1998	1999	2000	2001	2002	2014	Average 1995-2002	Average 2003-2014
					(In percent of exports of goods and services)						
1. Non-interest current account deficit (-: surplus)	62	51	31	25	21	17	15	13	--	29	6
2. Total scheduled debt service	58	21	12	9	12	14	16	16	1	20	6
3. Nonrestructurable debt	39	14	8	8	10	13	15	15	1	15	6
Fund	3	2	2	--	4	7	7	7	--	4	1
Other multilaterals	6	6	3	4	3	3	3	3	--	4	1
Previously rescheduled on Toronto and London terms	7	4	3	3	2	2	2	2	1	5	2
New borrowing	--	--	--	--	--	--	--	--	--	--	--
(Of which: multilateral)	(--)	(--)	(--)	(--)	(--)	(--)	(4)	(4)	(2)	(1)	(3)
Other 1/	24	2	1	1	1	1	4	4	1	9	2
4. Restructurable debt	18	7	3	2	2	1	1	1	--	5	--
Principal	11	6	3	1	1	1	1	1	--	3	--
Interest	8	2	1	1	--	--	--	--	--	2	--
Projected actual debt service											
5. After continuous flow reschedulings 2/	40	14	9	8	11	13	15	15	1	16	6
Of which: on restructured debt	1	1	--	1	1	1	1	1	--	1	--
6. After 67 percent NPV stock operation 3/	42	15	9	9	11	13	15	15	1	16	6
Of which: on restructured debt	2	1	1	1	1	1	1	1	--	1	1
						(In millions of U.S. dollars)					
Financing gap (-:surplus)											
7. Before debt restructuring 4/5/	472	30	26	--	9	18	42	47	-68	17 6/	-8
8. After continuous flow reschedulings 2/5/	446	13	17	-4	5	14	38	43	-67	10 6/	-10
9. After 67 percent NPV stock operation 3/5/	448	15	18	-3	7	16	39	44	-66	11 6/	-8
						(Percent change)					
Memorandum items:											
10. Constant-price GDP	-4	9	5	5	5	5	5	5	5	4	5
11. Exports of goods and services (U.S. dollar terms)	-24	62	35	12	8	8	8	8	9	14	8
12. New financing	23	-3	-21	2	-9	-5	-2	-2	-2	-2	-2
Grants	92	-37	-11	-8	-12	--	--	--	--	3	--
Loans	-1	19	-25	6	-8	-6	-3	-3	-4	-3	-3
13. Multilateral debt service (In percent of exports of goods and services)	(9)	(8)	(4)	(4)	(7)	(10)	(13)	(13)	(2)	(9)	(5)

Source: IMF staff estimates.

1/ Includes post-cutoff date debt, short-term debt (22 percent in 1995), private sector debt, and gap financing.

2/ On Naples terms according to terms described in Appendix 1, Box 2.

3/ Assumed to take place on January 1, 1995.

4/ Assumes 1994 Paris Club agreement is not in force.

5/ For 1995 includes arrears clearance to commercial creditors (US$472 million), of which US$415 million is projected to be financed through the IDA debt-buyback facility.

6/ Excludes arrears clearance in 1995.

Table 14. Tanzania: Medium-Term Debt Service Profile, 1995-2014

	1995	1996	1997	1998	1999	2000	2001	2002	2014	Average 1995-2002	Average 2003-2014
	(In percent of exports of goods and services and private transfers)										
1. Non-interest current account deficit (-: surplus)	34	34	33	30	27	26	25	24	17	29	20
2. Total scheduled debt service	32	29	23	18	17	16	16	15	10	21	11
3. Nonrestructurable debt	16	15	16	16	15	15	15	14	10	15	10
Fund	1	2	2	2	2	2	2	2	–	2	–
Other multilaterals	6	6	5	5	4	4	4	4	2	5	3
Previously rescheduled on Toronto and London terms	4	4	5	5	5	5	4	4	–	4	5
New borrowing	–	–	–	–	1	1	1	2	6	1	4
(Of which: multilateral)	(–)	(–)	(–)	(–)	(1)	(1)	(1)	(2)	(6)	(1)	(4)
Other 1/	4	3	4	3	3	3	3	2	1	4	3
4. Restructurable debt	16	14	8	2	1	1	1	1	–	6	1
Principal	14	13	7	2	1	1	1	1	–	5	1
Interest	2	1	1	–	–	–	–	–	–	1	–
Projected actual debt service											
5. After continuous flow reschedulings 2/	15	15	16	16	15	15	15	14	10	15	10
Of which: on restructured debt	–	1	1	1	1	1	1	1	1	1	1
6. After 67 percent NPV stock operation 3/	16	15	15	16	15	14	14	14	9	15	9
Of which: on restructured debt	1	1	1	1	1	1	–	–	–	1	–
	(In millions of U.S. dollars)										
Financing gap (-:surplus)											
7. Before debt restructuring	247	240	179	60	–	–	–	–	–	91	–
8. After continuous flow reschedulings 2/	-3	5	43	16	-25	-22	-21	-22	7	-4	-17
9. After 67 percent NPV stock operation 3/	–	1	35	7	-36	-34	-34	-37	-33	-12	-44
	(Percent change)										
Memorandum items:											
10. Constant-price GDP	5	6	6	6	6	6	6	6	6	6	6
11. Exports of goods and services (U.S. dollar terms)	11	7	7	8	7	7	7	7	7	7	7
12. New financing	7	6	1	2	2	2	1	1	3	3	2
Grants	2	6	-2	1	–	-1	-2	-3	-2	–	-2
Loans	17	6	5	5	5	6	6	6	6	7	6
13. Multilateral debt service (In percent of exports of goods and services)	(8)	(8)	(7)	(8)	(7)	(7)	(7)	(8)	(9)	(7)	(8)

Source: IMF staff estimates.

1/ Includes post-cutoff date debt, short-term debt, private sector debt, and gap financing.
2/ On Naples terms according to terms described in Appendix 1, Box 2.
3/ Assumed to take place on January 1, 1995.

Table 15. Uganda: Medium-Term Debt Service Profile, 1994-2014

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2013/14	Average 1994/95-2001/02	Average 2002/03-2013/14
	(In percent of exports of goods and nonfactor services)										
1. Non-interest current account deficit (-: surplus)	37	45	48	52	55	60	59	57	20	51	33
2. Total scheduled debt service	25	22	25	27	26	25	23	21	14	24	16
Fund	5	8	10	11	10	9	7	6	--	8	1
Other multilaterals	11	8	8	8	8	8	8	8	5	8	7
Previously rescheduled											
on Toronto and London terms	--	--	--	--	--	--	--	--	--	--	--
New borrowing	--	1	--	--	1	1	2	2	8	1	5
(Of which: multilateral)	(--)	(--)	(--)	(--)	(--)	(1)	(1)	(2	(6)	(1)	(4)
Restructured debt	6	4	5	7	6	6	5	4	1	5	1
Other 1/	2	2	1	1	2	2	1	1	--	2	1
	(Percent change)										
Memorandum items:											
3. Constant-price GDP	5	5	6	6	5	5	5	5	5	5	5
4. Exports of goods and nonfactor services											
(U.S. dollar terms)	83	2	2	2	4	4	9	9	9	14	9
5. New financing	1	-4	-1	3	4	4	4	4	3	2	1
Grants	-2	6	-8	4	4	4	4	4	3	2	-3
Loans	4	-12	6	2	4	4	4	4	3	2	5
6. Gross international reserves											
(In million U.S. dollars)	(392)	(543)	(685)	(721)	(744)	(755)	(751)	(767	(1,138)	(670)	(768)
(In months of imports)	(5)	(6)	(8)	(8)	(8)	(7)	(7)	(7)	(5)	(7)	(5)
7. Multilateral debt service											
(In percent of exports of goods and services)	(16)	(16)	(19)	(19)	(19)	(17)	(17)	(16)	(11)	(17)	(12)

Source: IMF staff estimates.

1/ Includes post-cutoff date debt, short-term debt, and private sector debt.

Table 16. Zambia: Medium-Term Debt Service Profile, 1995-2014

	1995	1996	1997	1998	1999	2000	2001	2002	2014	Average 1995-2002	Average 2003-2014
	(In percent of exports of goods and services)										
1. Non-interest current account deficit (-: surplus)	21	23	17	28	30	38	46	51	9	32	17
2. Total scheduled debt service	38	29	24	26	28	42	52	51	21	36	26
3. Nonrestructurable debt	19	17	14	16	18	29	38	36	9	23	13
Fund	2	–	–	–	–	8	17	17	–	6	3
Other multilaterals	9	8	7	8	7	6	7	6	6	7	6
Previously rescheduled on Toronto and London terms	6	6	5	6	9	13	13	12	2	6	11
New borrowing	–	–	–	–	–	–	–	–	–	–	–
(Of which: multilateral)	(–)	(–)	(–)	(–)	(–)	(–)	(–)	(–)	(–)	(–)	(–)
Other 1/	3	3	2	2	1	1	1	1	–	2	1
4. Restructurable debt	18	12	10	11	10	13	14	15	13	13	12
Principal	14	9	7	7	6	9	9	10	4	9	6
Interest	4	3	3	4	4	4	5	5	8	4	7
Projected actual debt service											
5. After continuous flow reschedulings 2/	20	18	16	17	20	31	40	39	15	25	18
Of which: on restructured debt	1	1	1	1	2	2	3	3	6	2	5
6. After 67 percent NPV stock operation 3/	21	18	16	17	19	30	39	38	10	25	15
Of which: on restructured debt	1	1	1	1	1	1	1	1	1	1	1
6a. After 67 percent NPV stock operation assuming greater coverage 3/5/	18	16	13	14	13	20	29	29	10	19	13
	(In millions of U.S. dollars)										
Financing gap (-:surplus)											
7. Before debt restructuring 4/	1,421	81	-70	83	171	505	732	814	-182	257 6/	81
8. After continuous flow reschedulings 2/4/	1,180	-71	-192	-44	47	340	564	639	-356	130 6/	-90
9. After 67 percent NPV stock operation 3/4/	1,190	-66	-191	-46	41	328	546	614	-498	125 6/	-171
9a. After 67 percent NPV stock operation assuming greater coverage 3/4/5/	1,157	-99	-225	-82	-54	177	403	479	-497	59 6/	-203
	(Percent change)										
Memorandum items:											
10. Constant-price GDP	4	5	7	9	9	6	6	6	6	7	6
11. Exports of goods and services (U.S. dollar terms)	18	1	1	-2	7	1	1	1	3	3	5
12. New financing	33	-12	-1	1	3	-5	5	–	3	3	3
Grants	-3	60	3	3	-2	-4	-3	-2	3	7	2
Loans	65	-49	-7	-4	12	-7	18	5	3	4	3
13. Multilateral debt service (In percent of exports of goods and services)	(11)	(8)	(7)	(8)	(7)	(14)	(24)	(23)	(6)	(13)	(9)

Source: IMF staff estimates.

1/ Includes post-cutoff date debt, short-term debt, private sector debt, and gap financing.

2/ On Naples terms according to terms described in Appendix 1, Box 2.

3/ Assumed to take place on January 1, 1995.

4/ Assumes 1992 Paris Club agreement is not in force, and includes elimination of arrears to the Fund (US$1,167 million).

5/ To include debt previously rescheduled on Toronto and London terms.

6/ Excludes arrears clearance in 1995.

Table 17. Selected Low-Income Rescheduling Countries: Results of Hypothetical Stock-of-Debt Operation, 1995-2014

	Financing gap (- = surplus)				Total scheduled debt service				Of which: to Multilaterals			
	Average 1995-2002		Average 2003-2014		Average 1995-2002		Average 2003-2014		Average 1995-2002	Average 2003-2014	Present value of debt to exports 1/	
	(In millions of U.S. dollars)				(In percent of exports)						(In percent)	
Bolivia	(70)	-15	(--)	-35	(30)	24	(12)	11	18	7	(282)	219
Côte d'Ivoire	(292)	5	(7)	-4	(23)	18	(9)	8	8	2	(347)	159 2/
Ethiopia	(51)	-46	(75)	-1	(35)	22	(15)	11	9	5	(471)	288
Guinea	(8)	-13	(--)	-27	(22)	20	(16)	14	7	8	(265)	233
Guyana	(61)	-2	(19)	-133	(32)	21	(25)	9	13	8	(419)	144
Honduras	(23)	7	(--)	-8	(23)	22	(10)	10	14	3	(283)	248
Mauritania	(52)	4	(10)	-27	(29)	18	(18)	15	13	10	(431)	282
Mozambique	(312)	138	(155)	37	(80)	52	(32)	26	13	10	(494)	247
Nicaragua	(310)	90	(138)	133	(97)	51	(32)	32	25	17	(1,394)	425
Senegal	(38)	1	(4)	-12	(16)	13	(8)	7	8	5	(193)	164
Sierra Leone	(17)	11	(-8)	-8	(20)	16	(6)	6	9	5	(372)	145 2/
Tanzania	(91)	-12	(--)	-44	(21)	15	(11)	9	7	8	(227)	163
Uganda	(...)	--	(...)	--	(...)	24	(...)	16	17	12	(...)	305
Zambia	(257)	125	(81)	-171	(36)	25	(26)	15	13	9	(609)	381

Sources: Appendix I, Tables 3 through 16; and IMF staff estimates.

1/ Defined as the ratio of the present value of projected debt-service payments during 1995-2014 due on end-1994 external debt to the present value of exports of goods and services over this period, assuming a discount rate of 7.27 percent (the OECD commercial interest reference rate for the U.S. dollar).

2/ Assumes a full buyback of commercial bank debt in 1995.

Note: ( ) denotes position before hypothetical stock-of-debt operation.

Table 18. Selected Low-Income Rescheduling Countries: Effect of Lower Growth in Exports of Goods and Services, 1995-2014 1/

	Growth in exports				Non-interest current account deficit				Total debt service after stock operation				Financing gap after stock operation			
	Average 1995-2002		Average 2003-2014		Average 1995-2002		Average 2003-2014		Average 1995-2002		Average 2003-2014		Average 1995-2002		Average 2003-2014	
	(In percent)				(In percent of exports)								(In millions of U.S. dollars)			
Bolivia	(7)	6	(7)	6	(31)	36	(11)	26	(24)	25	(11)	14	(-15)	54	(-35)	386
Côte d'Ivoire	(9)	8	(9)	8	(-1)	3	(2)	17	(18)	18	(8)	9	(5)	226	(-4)	1,543
Ethiopia	(10)	9	(9)	8	(54)	59	(29)	46	(22)	23	(11)	13	(-46)	-20	(-1)	260
Guinea	(10)	9	(8)	7	(23)	27	(17)	32	(20)	20	(14)	17	(-13)	27	(-27)	261
Guyana	(7)	6	(5)	4	(1)	4	(-5)	7	(21)	22	(9)	17	(-2)	19	(-133)	33
Honduras	(8)	7	(7)	6	(2)	6	(5)	20	(22)	22	(10)	11	(7)	83	(-8)	448
Mauritania	(7)	6	(6)	5	(3)	7	(3)	15	(18)	19	(15)	16	(4)	26	(-27)	95
Mozambique	(14)	13	(9)	8	(85)	90	(26)	41	(52)	54	(26)	30	(138)	167	(37)	308
Nicaragua	(11)	10	(8)	7	(49)	53	(14)	28	(51)	53	(32)	35	(90)	118	(133)	350
Senegal	(6)	5	(5)	4	(13)	17	(7)	22	(13)	14	(7)	8	(1)	81	(-12)	410
Sierra Leone	(14)	13	(8)	7	(29)	32	(6)	17	(16)	17	(6)	7	(11)	24	(-8)	77
Tanzania	(7)	6	(7)	6	(29)	34	(20)	37	(15)	16	(9)	12	(-12)	75	(-44)	473
Uganda	(14)	13	(9)	8	(51)	56	(33)	49	(24)	26	(16)	18	(–)	22	(–)	172
Zambia	(3)	2	(5)	4	(32)	37	(17)	33	(25)	26	(15)	16	(125)	213	(-171)	-112

Source: IMF staff estimates.

1/ One-percentage point lower growth per annum in exports of goods and services relative to the baseline scenario.
Note: ( ) denotes position in the baseline scenario.

Table 19. Selected Low-Income Rescheduling Countries: Effect of Higher Interest Rate on New Lending, 1995-2014 1/

	Effective interest rate		Total debt service after stock operation				Financing gap after stock operation			
	Average 1995-2014		Average 1995-2002		Average 2003-2014		Average 1995-2002		Average 2003-2014	
	(In percent)		(In percent of exports)				(In millions of U.S. dollars)			
Bolivia	(3)	4	(24)	25	(11)	13	(-15)	--	(-35)	22
Côte d'Ivoire	(4)	5	(18)	19	(8)	10	(5)	32	(-4)	36
Ethiopia	(1)	2	(22)	24	(11)	13	(-46)	-42	(-1)	50
Guinea	(3)	4	(20)	20	(14)	16	(-13)	-7	(-27)	17
Guyana	(2)	3	(21)	22	(9)	11	(-2)	1	(-133)	-109
Honduras	(1)	2	(22)	22	(10)	11	(7)	21	(-8)	35
Mauritania	(4)	5	(18)	19	(15)	15	(4)	7	(-27)	-20
Mozambique	(3)	4	(52)	53	(26)	27	(138)	148	(37)	63
Nicaragua	(4)	5	(51)	53	(32)	33	(90)	103	(133)	168
Senegal	(3)	4	(13)	13	(7)	8	(1)	8	(-12)	10
Sierra Leone	(1)	2	(16)	18	(6)	10	(11)	17	(-8)	-1
Tanzania	(2)	3	(15)	15	(9)	11	(-12)	1	(-44)	28
Uganda	(1)	2	(24)	26	(16)	20	(--)	12	(--)	45
Zambia	(--)	1	(25)	25	(15)	16	(125)	168	(-171)	-129

Source: IMF staff estimates.

1/ One percentage point higher interest rate on all lending taking place after end-1994.
Note: ( ) denotes position in the baseline scenario.

II. The "Debt Overhang" in Heavily Indebted Poor Countries

1. Introduction and summary

The external debt owed by the heavily indebted poor countries rose substantially during the mid-1980s as significant terms-of-trade declines and a weakening in global demand resulted in an increase in external borrowing (Appendix I, Table 20 and Appendix I, Chart 1, upper panel). 1/ This reflected an increase in lending by both bilateral and multilateral creditors during a period when other creditors were reluctant to extend new financing. Although a recovery in export earnings and the impact of debt reductions have resulted in some decline in indebtedness in some countries in recent years, the average debt burden facing these countries remains very high.

This period of increased indebtedness has also been characterized by sluggish aggregate growth (Appendix I, Table 21 and Appendix I, Chart 1, lower panel). 2/ Among the explanations that have been offered for this is the "debt overhang", namely the depressing effect of large debt burdens on growth and investment.

This note first summarizes the arguments that have been put forward concerning the relationship between the debt burden and investment and the empirical evidence found in the literature. It then discusses the severity of the debt burden currently facing the heavily indebted poor countries, and the extent to which this has affected growth and investment.

Its principal conclusions are:

- While there is evidence of the debt overhang influencing growth and investment in middle-income developing countries, this relationship would appear weaker for the heavily indebted poor countries. It is difficult to disentangle the role of any debt overhang from other factors that have worked to depress economic growth and investment in the heavily indebted poor countries.

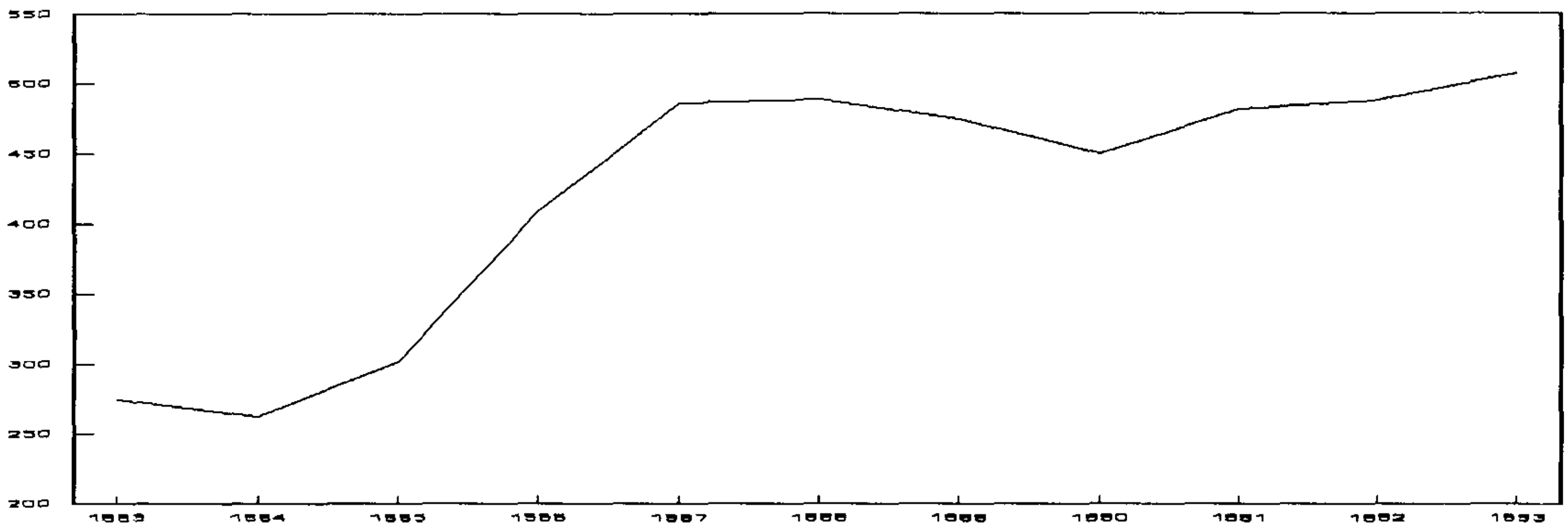
- Total net inflows to these countries have remained strongly positive throughout the 1980s and 1990s despite their heavy debt burdens.

1/ This group is composed of the 32 countries that are classified by the World Bank as severely indebted low-income countries (SILIC's), seven rescheduling countries that have received concessional terms from the Paris Club, and Congo, which has recently become IDA-eligible. Angola (which has also recently become IDA-eligible) and Somalia were not included due to data limitations.

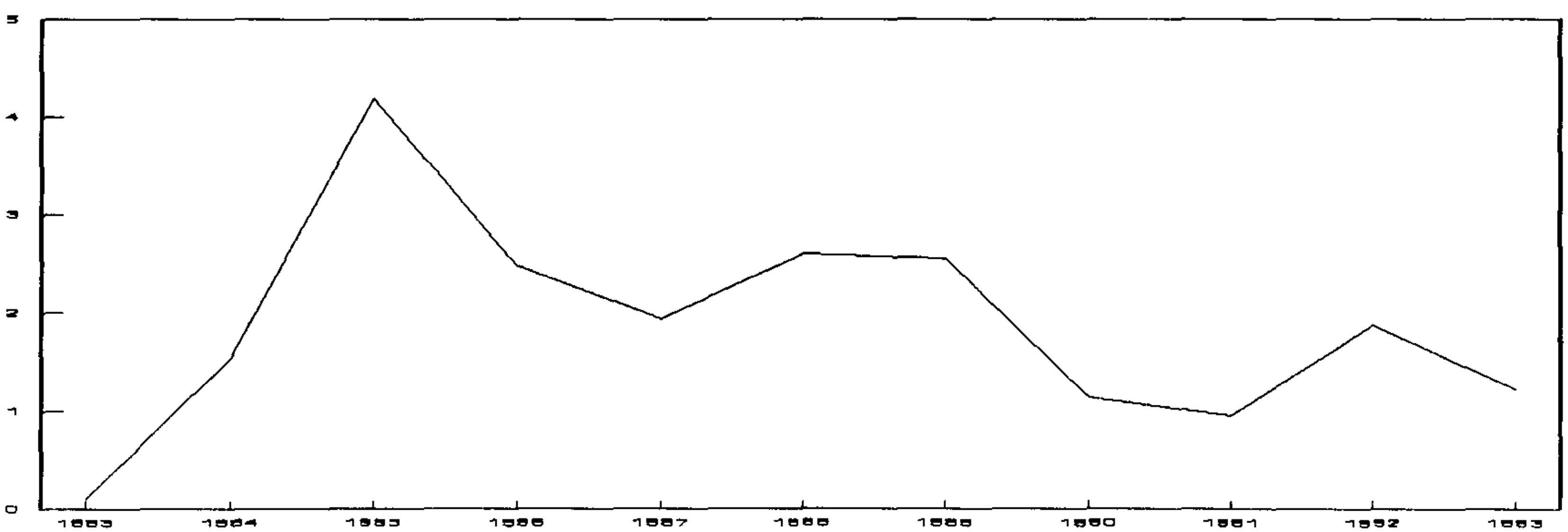
2/ Cross-country empirical studies of growth performance indicate that African economies have, on average, grown at a slower pace than the rest of the world during the past two to three decades (e.g., Barro (1991) and Fischer (1991)).

Chart 1. Heavily Indebted Poor Countries: External Debt Outstanding and GDP Growth, 1983-93

Stock of External Debt Relative to Exports (percent)



Growth in Real GDP (percent)



Sources: Appendix I, Tables 20 and 21.

Table 20. Heavily Indebted Poor Countries: External Debt Outstanding, 1983-93 1/

(In percent of exports of goods and services including workers' remittances) 2/

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Benin	268	249	192	205	212	191	308	251	249	231	317
Bolivia	453	512	651	777	875	711	464	430	433	534	512
Burkina Faso	147	155	171	163	183	182	179	157	188	202	235
Burundi	312	339	354	399	680	575	757	929	761	917	1,205
Cameroon	120	104	104	129	190	198	221	275	257	308	324
C.A.R.	160	174	188	249	314	482	331	334	443	489	469
Chad	167	112	193	164	176	160	188	203	246	293	452
Congo	176	153	248	449	429	434	340	328	397	375	426
Côte d'Ivoire	348	282	301	283	353	379	432	462	525	526	596
Equatorial Guinea	...	...	551	426	419	394	526	531	605	440	432
Ethiopia	214	220	285	265	368	423	367	445	557	563	614
Ghana	345	316	331	335	362	319	372	384	381	384	378
Guinea	...	...	...	293	321	357	289	292	323	388	435
Guinea-Bissau	1,218	948	1,686	1,882	1,610	1,662	1,962	1,236	1,385	2,088	1,921
Guyana	535	518	607	689	640	756	660	760	667	503	531
Honduras	261	265	295	290	342	316	312	353	320	325	338
Kenya	229	208	265	249	345	313	306	320	317	310	300
Lao P.D.R.	...	1,038	1,074	1,352	1,800	1,755	1,700	1,691	1,373	978	672
Liberia	215	219	262	330	377	333	291	349	378	328	318
Madagascar	584	577	...	...	912	987	838	796	907	879	949
Mali	408	469	503	534	503	487	486	446	460	456	620
Mauritania	359	399	354	383	450	413	394	437	436	411	479
Mozambique	...	...	1,473	1,728	1,728	1,620	1,672	1,595	1,292	1,433	1,416
Myanmar	458	519	721	1,075	1,422	1,127	732	702	751	672	620
Nicaragua	813	1,032	1,684	2,455	2,630	3,327	2,871	2,658	2,835	3,408	2,638
Niger	243	271	379	437	359	396	408	471	454	500	575
Nigeria	171	149	149	324	391	417	316	241	272	242	278
Rwanda	168	170	222	185	350	385	404	469	557	717	766
São Tomé and Príncipe	374	303	654	606	1,083	880	1,347	1,819	1,832	2,086	2,116
Senegal	202	228	282	281	327	290	247	236	238	251	288
Sierra Leone	446	354	451	564	553	753	834	751	784	734	840
Sudan	610	639	733	904	1,190	1,079	1,318	1,820	3,450	3,265	3,238
Tanzania	693	483	466	543	696	706	617	719	688	654	631
Togo	252	206	230	208	223	211	202	217	232	270	402
Uganda	264	265	311	357	532	629	819	1,197	1,456	1,508	1,227
Viet Nam 3/	...	...	...	...	...	...	1,456	1,219	879	731	663
Yemen	579	717	871	1,121	1,032	411	319	396	430	541	472
Zaïre	296	256	308	354	439	362	390	445	578	795	872
Zambia	344	395	477	757	717	557	443	539	622	582	638
Simple average	273	256	297	392	463	453	460	449	483	486	515

Source: World Bank, Debtor Reporting System.

1/ Angola and Somalia are excluded due to data limitations.
2/ Includes private transfers for Tanzania.
3/ Includes debt to Russia valued at the official exchange rate.

Table 21. Heavily Indebted Poor Countries: Constant-Price Gross Domestic Product, 1971-93 1/

(Percent change)

	Annual Average							
	1971-83	1984-88	1989-93	1989	1990	1991	1992	1993
Benin	3.8	1.1	2.5	-2.5	3.1	4.7	3.8	3.6
Bolivia	2.7	0.3	3.1	2.8	2.6	4.1	2.7	3.2
Burkina Faso	-0.3	5.3	2.2	0.9	-1.5	10.0	2.5	-0.8
Burundi	3.5	5.2	1.4	1.3	3.5	5.0	2.7	-5.7
Cameroon	5.8	2.8	-4.6	0.8	-6.9	-7.5	-5.2	-4.4
C.A.R.	1.5	3.4	-0.8	2.3	1.0	-1.6	-2.4	-3.0
Chad	1.5	6.3	2.4	5.8	-2.3	8.3	3.9	-3.7
Congo	8.1	0.2	1.4	2.6	1.0	2.2	2.6	-1.6
Côte d'Ivoire	5.0	0.5	-1.0	-1.1	-2.1	-0.8	--	-1.1
Equatorial Guinea	3.0	1.6	4.2	-1.2	3.3	-1.1	13.0	7.1
Ethiopia	2.5	2.3	-0.6	1.2	-2.2	-1.0	-9.8	8.8
Ghana	-0.7	5.9	4.5	5.1	3.3	5.3	3.9	5.0
Guinea	2.6	3.8	3.6	4.0	4.3	2.4	3.0	4.5
Guinea-Bissau	6.8	4.3	3.2	4.5	3.3	3.0	2.8	2.7
Guyana	-0.4	0.3	2.5	-3.3	-5.3	6.0	7.8	7.4
Honduras	3.6	4.0	3.3	4.3	0.1	3.1	5.0	4.0
Kenya	5.7	5.1	2.5	4.5	4.3	2.3	0.4	0.8
Lao P.D.R.	4.7	3.5	7.7	14.3	6.7	4.0	7.0	6.5
Liberia	0.9	0.2	-1.6	-10.8	0.7	1.6	1.0	-0.4
Madagascar	-0.3	6.7	0.8	4.1	3.1	-6.3	1.1	1.9
Mali	0.7	1.9	3.3	11.8	0.4	-2.5	7.8	-0.8
Mauritania	3.2	8.1	1.7	2.2	-1.8	2.6	3.0	2.5
Mozambique	1.8	0.8	2.5	5.3	1.3	2.6	-2.3	5.6
Myanmar	4.5	-1.7	4.2	3.7	2.8	-0.7	9.3	6.0
Nicaragua	1.7	-4.0	-0.5	-1.7	-0.3	-0.2	0.4	-0.5
Niger	3.7	-0.1	-0.6	0.9	-1.3	2.5	-6.5	1.4
Nigeria	2.8	2.9	5.3	7.2	8.2	4.8	3.5	2.9
Rwanda	3.3	1.8	-1.8	1.0	0.4	0.3	0.4	-10.9
São Tomé & Príncipe	2.6	0.3	1.1	3.1	-2.2	1.5	1.5	1.5
Senegal	2.9	2.6	0.9	-1.4	4.5	0.7	2.9	-2.0
Sierra Leone	2.0	0.9	0.7	2.4	-0.1	0.7	-0.8	1.5
Sudan	3.9	--	4.4	1.6	-0.3	6.0	8.9	6.0
Tanzania	4.0	4.0	3.6	3.0	3.5	3.8	4.5	3.3
Togo	1.5	3.1	-4.0	3.9	0.1	-0.9	-9.6	-13.4
Uganda	1.1	2.2	4.8	6.8	4.4	4.3	3.4	5.0
Viet Nam	4.6	5.0	7.1	7.8	4.9	6.0	8.6	8.1
Yemen, Republic of	8.3	3.7	2.5	3.2	2.0	-4.2	7.4	4.3
Zaïre	0.6	2.8	-7.7	-1.4	-2.3	-7.2	-11.2	-16.6
Zambia	1.5	1.3	0.2	1.0	0.7	-2.0	-2.8	4.0
Simple average	2.9	2.5	1.7	2.6	1.2	1.6	1.9	1.1

Source: World Economic Outlook database.

1/ Angola and Somalia are excluded due to data limitations.

- Several countries such as Bolivia, Guyana, and Uganda have experienced rising investment and relatively buoyant growth in the 1990s despite heavy external debt burdens.

- Nevertheless, heavy debt burdens may have been associated with disincentives to invest, which could have contributed to the relatively poor growth performance of some of these countries.

- Widespread acceptance of the proposition that debt levels for many of these countries go beyond their debt-servicing capacity has been instrumental in the Paris Club's agreeing to implement increasingly concessional rescheduling terms for low-income rescheduling countries--involving most recently 67 percent net present value (NPV) reductions for most countries under Naples terms.

2. The debt overhang hypothesis

a. Theoretical arguments

This hypothesis gained considerable prominence in the mid-1980s, when the lackluster investment and growth behavior of the (mainly middle-income) countries that were heavily indebted to commercial creditors was attributed by many to their large foreign debt burdens. At that time, several reasons were proposed in the literature for why a large debt burden could depress investment. 1/ These are summarized in Appendix I, Box 6.

b. Empirical evidence

Considerable effort has been made at assessing the extent to which the debt overhang has affected investment, though these efforts have largely focussed on the heavily indebted middle-income countries. Although large debt burdens appear to have contributed to a weakening in investment in middle-income countries, no clear consensus has been reached regarding the extent to which the debt overhang has affected investment in the heavily indebted poor countries. Much of the empirical evidence to date consists of the observation that a decline in investment in heavily-indebted countries occurred coincidentally with the onset of the debt crisis (e.g., Sachs, 1989). In addition, several empirical investigations of the determinants of investment in heavily indebted countries during the past 15-20 years found that an increase in the external debt burden was associated with a decline in both total and private investment (Fry (1989) and Greene and Villanueva (1991) who examined mainly middle-income countries; Hadjimichael, et. al. (1995) for sub-Saharan African countries). However, the methodology used in these studies (pooled time-series analysis on cross-section data) restricted the effect of the debt burden on investment to be the same for every country. Moreover, investment rates were found to have been determined

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1/ Important contributions in this area have been made by Diwan and Rodrick (1992), Dooley (1986), Froot and Krugman (1990), Krugman (1988), and Sachs (1989).

Appendix I, Box 6. Debt Overhang: Theoretical Arguments

A debt that is so large that a country is unlikely to repay in full acts as a high marginal tax on efforts to expand the country's foreign exchange earnings through increased output and exports, because potential investors perceive that the bulk of any improvement would benefit past creditors. For such a country, a belief among economic agents that future repayment of the debt will eventually be financed by levying of taxes on domestic capital, or by outright expropriation of assets, or by the imposition of capital controls could provide a disincentive to investment and encourage the transfer of funds abroad.

When doubts exist about a country's ability to service its external debt stock, the existence of a debt overhang could also discourage investment by preventing a country from attracting voluntary loans from new creditors in the absence of seniority of such lending.[1] As a result of this liquidity constraint, many high-yielding investments in debtor countries could be unexploited because these countries are shut out of credit markets.

These arguments hinge on the assumption that there are significant doubts on the part of potential investors regarding the country's long-term ability to service its external debt--specifically that the present value of future external debt service arising from its existing debt stock is perceived to be greater than that of its future revenue stream from net exports. However, large ratios of external debt to exports could depress investment even in the absence of extensive doubts about the likelihood of repayment. In the case of public sector debt, the resources needed to service these obligations may reduce government investment and, to the extent that there is a complementarity between public and private investment, could in addition discourage private investment. To the extent that difficulties in servicing either public or private sector debt result in a deterioration in relations with creditors, debtors could face a reduction in the availability of new financing, thereby creating a liquidity problem.

[1]As argued by Diwan and Rodrick (1992).

by a variety of other factors, in addition to the debt burden, such as the growth in real GDP, the overall budget deficit as a ratio of GDP, changes in the terms of trade, and the real exchange rate.

A further caveat to the conclusions of these studies is that they did not allow for the endogeneity of external debt. For example, a persistent decline in a country's terms of trade could result in a weakening in economic activity, and a contraction in domestic investment. At the same time, the deterioration in the external current account caused by the decline in the terms of trade could result in increased external borrowing and a build-up of debt. To correct for this shortcoming, Borensztein (1990) directly tested for the existence of a debt overhang for the Philippines by estimating a standard neoclassical investment demand function and testing the significance of the addition of a term representing the extent of the foreign debt burden. His results suggested that the debt overhang did in fact contribute to the decline in gross investment relative to GDP that occurred from 1982-1989 in the Philippines. Although this represents a useful approach, its application to the heavily indebted poor countries is limited by the instability of investment demand in many cases and the absence of data on crucial determinants, such as the marginal product of capital. Indirect efforts at testing the debt overhang hypothesis have consisted of attempts at estimating the "debt Laffer curve" (Appendix I, Box 7).

Appendix I, Box 7. Debt Laffer Curve

This depicts the relationship between a country's nominal debt obligations and the market's expectation of the repayments which these loans will generate; these repayments can be measured by the secondary market price of debt multiplied by the existing stock. A "debt overhang" would exist when further increases in obligations are discounted at such a high rate (as implied by a sufficiently large fall in the secondary market price) that they are associated with a decline in the market value of the debt stock. At this point, a country is said to be on the back side of the debt Laffer curve, where the disincentive effects on potential investors discussed in the text are so strong that a reduction in the stock of debt would result in an increase in its market value.

Froot and Krugman (1990) attempted to estimate countries' positions on the debt Laffer curve by examining the relationship between the secondary market price of debt and the face value of claims for a set of 35 heavily indebted countries, 12 of which were low-income countries. Depending on the exact specification of the model that was estimated, the authors found that for 6 to 15 of the countries, debt-to-export ratios were sufficiently high to place these countries on the back side of their debt Laffer curves.[1] Among the low-income countries, those that appear to have been affected by debt overhang according to this test were Bolivia, Madagascar, Nicaragua, Sudan, and Zambia.[2] The extent to which tests of this nature can be applied to studying other low-income countries is limited by the absence of a secondary market for debt in most of these countries, due in large part to the relatively small proportion of other debt owed to commercial creditors.[3]

[1]When the elasticity of the secondary market price with respect to the face value of total claims is greater than one in absolute value, further increases in obligations are associated with a decline in the market's expectation of the total repayments that a country's debt stock will generate.

[2]The other low-income countries included in the sample were Côte d'Ivoire, Honduras, Liberia, Nigeria, Senegal, Togo, and Zaïre.

[3]Data on secondary market prices on commercial debt is available only for Bolivia, Cameroon, Côte d'Ivoire, Madagascar, Nigeria, Senegal, Sudan, Togo, Uganda, Zaïre, and Zambia.

3. Debt, growth, and investment in heavily indebted poor countries

a. Present value of debt stock

As discussed above, a major assumption underlying several of the arguments for why a large debt burden could depress investment is that there are doubts regarding a country's long-term ability to service its external debt. A more useful indicator of the severity of the debt overhang than one which is based on the nominal stock of debt is thus one that is based on the present value (PV) of debt which takes into account the concessionality of the debt stock (see Appendix I, Box 8).

Appendix I, Box 8. Present Value of Debt-to-Exports Ratio

This is defined as the ratio of the discounted present value (PV) of all future debt-service payments due on existing external debt to exports of goods and services. [1] The World Bank, which has pioneered the use of PV debt-to-exports ratios, emphasizes that there are no simple rules on what constitutes a sustainable PV debt-to-exports ratio and that the ability of a country to service its debt is a function of dynamic factors such as growth of exports and new financing flows (World Bank, 1994). However, according to the World Bank, as a rule of thumb, ratios in excess of 200 percent have generally proven to be unsustainable in the sense that most countries that have faced such ratios have had difficulty in avoiding reschedulings, and once having rescheduled, they have had difficulty escaping repeated reschedulings.

[1]The assessment of a country's capacity to repay would be more precisely captured if the denominator was the PV of average annual exports over the period of the existing debt-service obligation. However, this would require the formulation of well-specified medium-term scenarios. This would produce a lower PV debt-to-exports ratio, provided the expected future export growth exceeded the discount factor used.

Based on this approach, the majority of the heavily indebted poor countries faced very high debt burdens as of end-1993 (Appendix I, Table 22, last column). 1/ The average PV debt-to-exports ratio was about 600 percent, and only three countries--Benin, Burkina Faso, and Senegal--had ratios below 200 percent. For several countries--Guinea-Bissau, Mozambique, Nicaragua, São Tomé and Príncipe, and Sudan--PV debt-to-exports ratios were well in excess of 1,000 percent.

b. Relationships between debt stocks, and GDP growth and investment--cross-country analysis

The relationships between growth of real GDP and investment relative to GDP, PV debt-to-exports ratios from 1989-93 for the heavily indebted poor countries are plotted in Appendix I, Charts 2 and 3. Overall, while there appears to be a small negative correlation between the stock of debt, economic growth and investment, considerable variation exists across the

1/ The PV ratios shown in this appendix are calculated on the basis of 1993 exports, and thus differ from those shown in Table 6 of SM/95/224 (9/1/95) which are based on the average level of exports during 1991-93.

Table 22. Heavily Indebted Poor Countries: External Debt Outstanding, GDP Growth, and Investment, 1983-93 1/

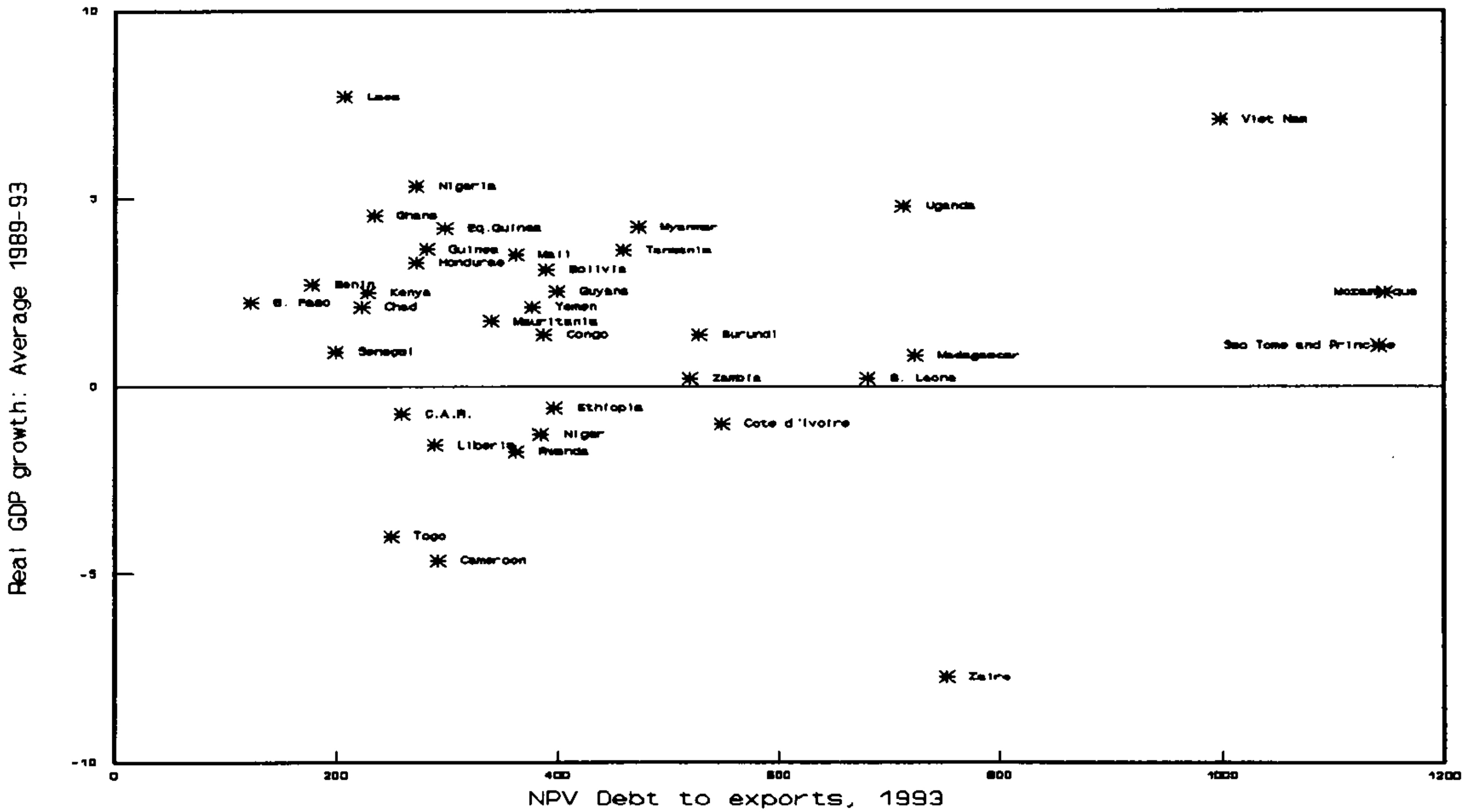
(In percent)

	1983			Average, 1984-88			Average, 1989-93			Memo item: PV debt to exports 2/4/
	External Debt 2/	Growth in Real GDP	Gross Investment 3/	External Debt 2/	Growth in Real GDP	Gross Investment 3/	External Debt 2/	Growth in Real GDP	Gross Investment 3/	1993
Benin	268	3.2	8.9	210	1.1	11.8	271	2.5	13.3	178
Bolivia	453	4.1	8.6	705	0.3	9.4	474	3.1	13.9	389
Burkina Faso	147	-0.8	16.9	171	5.3	20.1	192	2.2	20.2	122
Burundi	312	-5.7	19.3	470	5.2	16.7	914	1.4	18.8	527
Cameroon	120	-2.2	30.1	145	2.8	28.1	277	-4.6	13.1	292
C.A.R.	160	-3.0	11.2	282	3.4	12.7	413	-0.8	11.5	260
Chad	167	-12.0	3.1	161	6.3	8.1	276	2.4	8.8	223
Congo	176	2.6	37.9	343	0.2	25.3	373	1.4	17.0	387
Côte d'Ivoire	348	-0.8	17.7	320	0.5	12.4	508	-1.0	10.3	548
Equatorial Guinea	...	7.1	11.0	358	1.6	15.3	507	4.2	26.6	298
Ethiopia	214	-12.3	12.7	313	2.3	15.5	509	-0.6	11.8	396
Ghana	345	5.0	3.8	332	5.9	10.7	380	4.5	14.5	234
Guinea	...	4.7	...	194	3.8	9.4	345	3.6	17.6	282
Guinea-Bissau	1218	2.7	22.7	1558	4.3	28.7	1718	3.3	27.0	1264
Guyana	535	8.3	21.6	642	0.3	26.3	624	2.5	54.9	398
Honduras	261	6.0	16.7	302	4.0	15.7	329	3.3	20.8	272
Kenya	229	0.1	18.3	276	5.1	19.0	311	2.5	19.2	229
Lao P.D.R.	...	6.1	10.3	1404	3.5	14.6	1283	7.7	15.9	207
Liberia	215	2.2	16.9	304	0.2	12.0	333	-1.6	12.1	290
Madagascar	584	1.9	12.9	495	6.7	10.9	874	0.8	12.3	724
Mali	408	-0.8	12.4	499	1.9	19.1	494	3.3	22.2	362
Mauritania	359	4.9	17.9	400	8.1	24.6	431	1.7	14.2	340
Mozambique	...	19.3	9.9	1310	0.8	16.9	1482	2.5	45.1	1147
Myanmar	458	6.7	18.2	973	-1.7	13.6	695	4.2	12.5	472
Nicaragua	813	-1.0	19.4	2226	-4.0	19.2	2882	-0.5	19.8	2407
Niger	243	1.4	18.2	368	-0.1	13.6	482	-0.6	8.9	384
Nigeria	171	1.6	20.2	286	2.9	12.7	270	5.3	14.7	272
Rwanda	168	-10.9	14.6	262	1.8	15.4	583	-1.8	12.4	362
São Tomé and Príncipe	374	1.3	11.4	705	0.3	14.3	1840	1.1	27.6	1142
Senegal	202	-2.0	15.8	281	2.6	12.7	252	0.9	13.4	199
Sierra Leone	446	1.5	12.3	535	0.9	9.6	789	0.7	10.7	681
Sudan	610	7.6	16.6	909	–	12.4	2618	4.4	6.5	2941
Tanzania	*693*	*5.1*	*13.6*	*579*	*4.0*	*22.3*	*662*	*3.6*	*40.3*	458
Togo	252	-13.5	22.8	216	3.1	24.6	265	-4.0	23.2	250
Uganda	264	5.1	3.5	419	2.2	7.3	1241	4.8	13.7	713
Viet Nam	...	8.1	...	...	5.0	10.8	989	7.1	13.8	998
Yemen	579	5.9	16.5	831	3.7	11.5	432	2.5	18.7	377
Zaïre	296	-16.6	10.1	344	2.8	12.6	616	-7.7	7.4	752
Zambia	344	9.2	13.6	581	1.3	30.6	565	0.2	10.2	519
Simple average	319	1.3	14.6	531	2.5	16.1	731	1.7	17.8	572

Sources: World Bank, Debtor Reporting System; and World Economic Outlook database.

1/ Angola and Somalia are excluded due to data limitations.
2/ In percent of exports of goods and services.
3/ In percent of GDP.
4/ Differ from PV ratios shown in Table 6 of SM/95/224 (9/1/95) which are based on average exports for 1991-93.

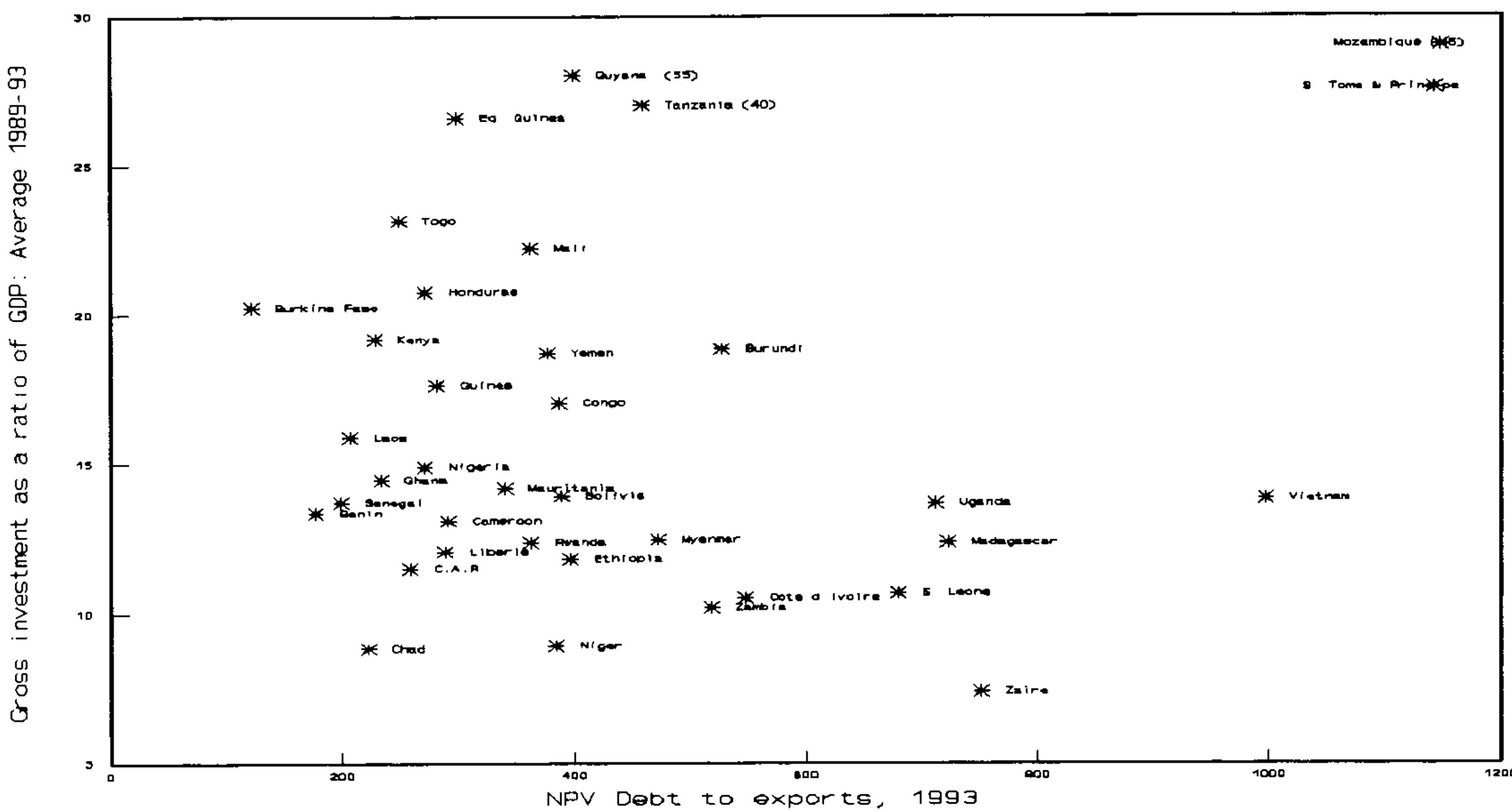
Chart 2. Heavily Indebted Poor Countries: External Debt and GDP Growth, 1989-93 1/2/



Source: Appendix I, Table 22.

1/ Guinea-Bissau, Nicaragua, and Sudan are excluded owing to extreme ratios of external debt to exports.
2/ Correlation coefficient = 0.05, including countries that are excluded from the chart.

Chart 3. Heavily Indebted Poor Countries: External Debt and Investment, 1989-93 1/2/



Source: Appendix I, Table 22.

1/ Guinea-Bissau, Nicaragua, and Sudan are excluded owing to extreme ratios of external debt to exports.
2/ Correlation coefficient = 0.02 including countries that are excluded from the chart.

countries. 1/ While many countries with relatively low PV debt-to-exports ratios have been able to achieve high investment rates and rapid growth in economic activity (such as Ghana, Kenya, and Lao P.D.R.), others that faced debt burdens of similar magnitudes registered declines in real GDP (such as Cameroon, Liberia, and Togo). Conversely, several countries with PV debt-to-exports ratios well in excess of 500 percent were characterized by buoyant growth (such as Uganda and Viet Nam). Equally, some countries have reported extremely high investment rates despite large debts (such as Guyana, Mozambique, São Tomé and Príncipe, and Tanzania), though these were not always reflected in rapid growth.

c. Relationships between debt stocks, and GDP growth and investment--time series analysis

The relationship between the change in average GDP growth and investment rates from 1984-88 to 1989-93 and the PV debt-to-exports ratio is shown in Appendix I, Charts 4 and 5. 2/ For the heavily indebted poor countries as a group, economic activity appears to have weakened slightly between these two periods, as average GDP growth declined from 2.5 percent during 1984-88 to 1.7 percent during 1989-93 (Appendix I, Table 22); the decline appears to have been more pronounced in those countries with relatively high debt stocks. 3/ However, for several of these countries, the deterioration in macroeconomic performance can clearly be attributed to other factors, such as civil strife (Burundi, Ethiopia, Liberia, Nicaragua, and Sierra Leone), or a deterioration in macroeconomic balances caused by the implementation of lax financial policies which resulted in persistently negative real interest rates and an inadequate generation of private savings (such as Cameroon, Madagascar, Nigeria, Yemen, and Zaïre). An even weaker relationship appears to have held between changes in investment and PV debt-to-exports ratios for the most heavily indebted poor countries, as many countries facing extremely high debt-to-exports ratios reported a considerable acceleration in investment.

It is difficult to draw conclusions about the behavior of private investment for the heavily indebted poor countries, owing to the

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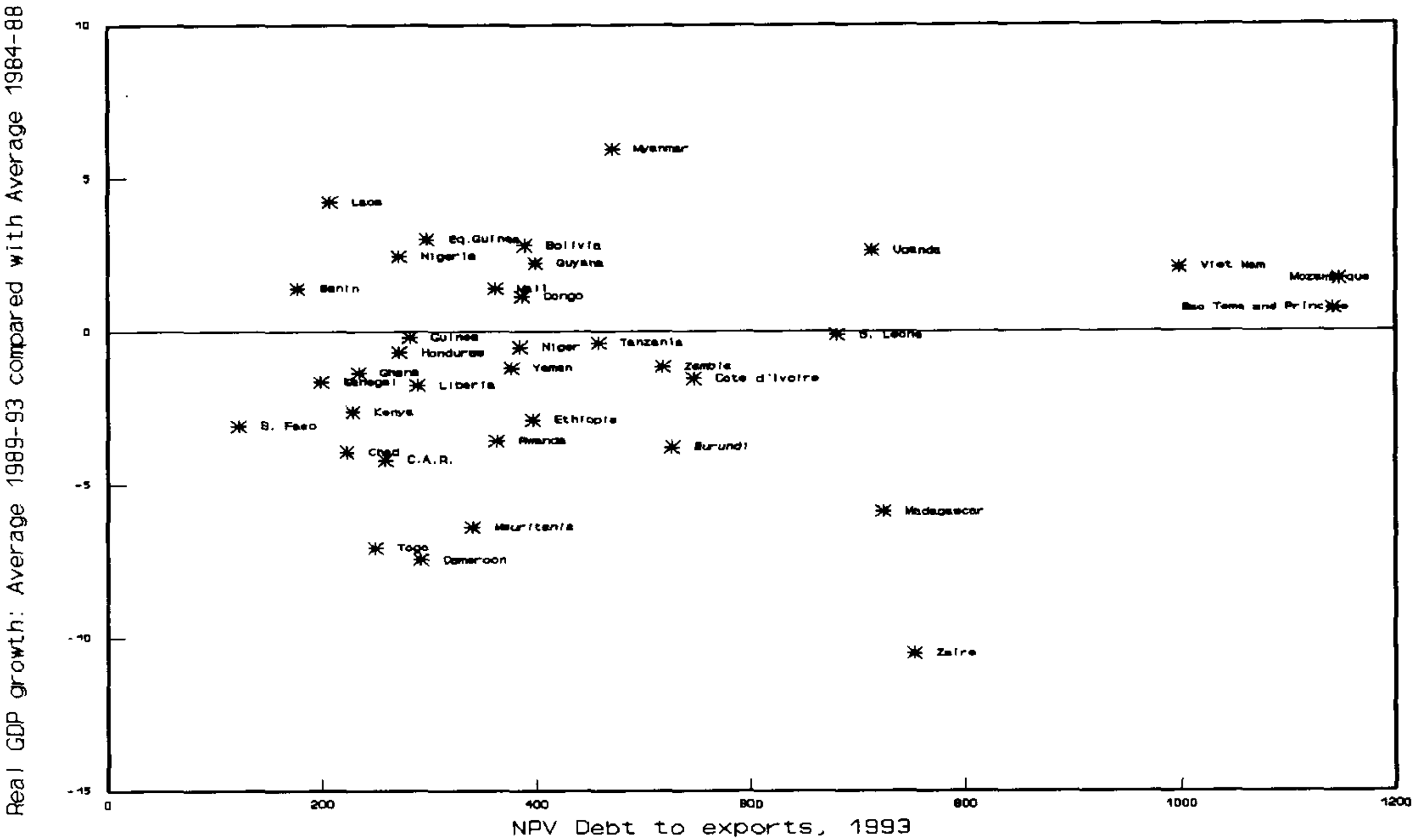
1/ The correlation for all 39 countries between debt and GDP growth was estimated to be 0.05; however, when two extreme outliers are excluded (Sudan and Viet Nam), the correlation coefficient is -0.14. A small positive correlation (0.02) appears to exist between the present value of external debt and investment during 1989-93; however, excluding Mozambique, Guinea-Bissau, São Tomé and Príncipe, Sudan, and Viet Nam because they are extreme observations, the correlation is -0.13.

2/ The investment rates used in this appendix are based on nominal values of investment and GDP. Consequently, a change in the average investment rate between these two periods could occur as a result of a difference in the movement of the price of capital goods relative to the overall GDP deflator. The use of nominal values was necessitated by the lack of data on a constant price basis for several of the countries.

3/ The correlation between the changes in average GDP growth during these two periods and the PV debt-to-exports ratios is estimated to be -0.11.

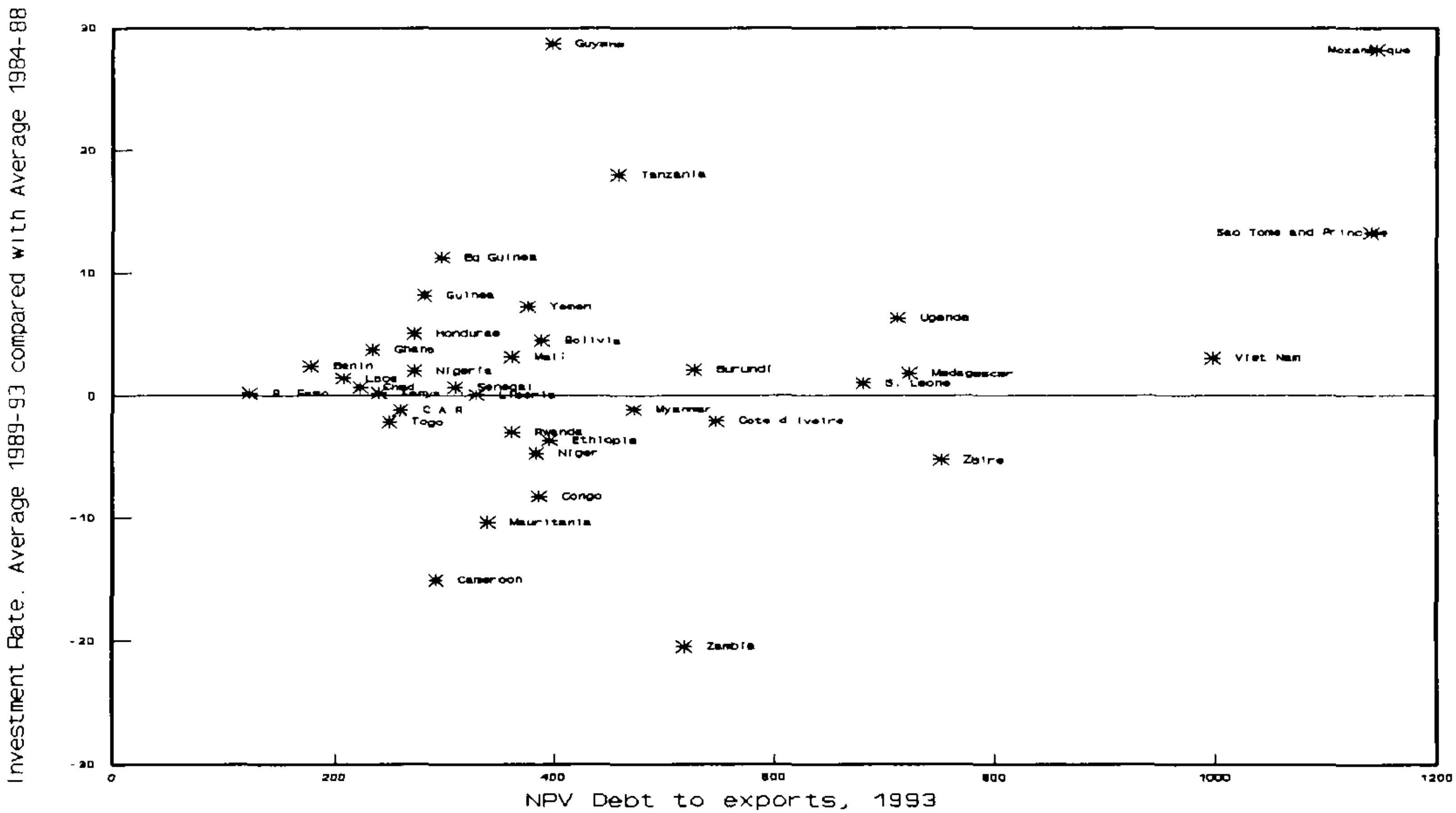
Chart 4. Heavily Indebted Poor Countries: External Debt and Change in GDP Growth 1/2/



Source: Appendix I, Table 22.

1/ Guinea-Bissau, Nicaragua, and Sudan are excluded owing to extreme ratios of external debt to exports.
2/ Correlation coefficient = -0.11, including countries that are excluded from the chart.

Chart 5. Heavily Indebted Poor Countries: External Debt and Change in Investment Rates 1/2/



Source: Appendix I, Table 22.

1/ Guinea-Bissau, Nicaragua, and Sudan are excluded owing to extreme ratios of external debt to exports.
2/ Correlation coefficient = -0.06, including countries that are excluded from the chart.

predominance of state-owned public enterprises and the near absence of a private sector in several of these countries, particularly during the 1980s. Subject to this caveat, the relatively weak relationship between debt burdens and total investment described above appears also to hold true for private investment; the data on private investment include that of public enterprises owing to data constraints (Appendix I, Table 23). Private investment as a share of GDP for these countries as a whole rose from 7 percent of GDP during 1984-88 to 10 percent during 1989-93, with many of the severely indebted countries (such as Guyana, Mali, Mozambique, Tanzania, and Uganda) reporting impressive gains during this period.

4. Conclusions

A number of broad conclusions regarding the relationship between growth and investment and the debt burdens facing the heavily-indebted poor countries can be drawn.

- It is difficult to disentangle the role of the "debt overhang" from other factors that have clearly worked to depress economic growth and investment in these countries. This is reflected in the relatively weak relationship between debt and economic growth or investment discussed above in contrast to the stronger relationship found in studies for middle-income countries. While these results should be interpreted with caution, they may reflect the severe structural impediments, including inadequate physical infrastructure, untrained work forces, and weak institutions, in heavily indebted poor countries which have acted as significant deterrents to investment.

- The recent macroeconomic performance of many of these countries has not been characterized by a decline in investment rates and sluggish output growth, notwithstanding their sizable debt burdens. Although Bolivia, Guyana, and Uganda have all experienced a build-up of external debt over the past decade and currently face debt-to-exports ratios on a present value basis that are well in excess of 200 percent, investment rates have risen steadily in these countries in recent years and have contributed to the achievement of relatively buoyant growth since 1989. For these countries, the achievement of increased investment has been facilitated by a marked improvement in macroeconomic stability that resulted from strong adjustment efforts, as well as by the implementation of structural reforms aimed at improving efficiency and resource allocation.

- In sharp contrast to the experience of other heavily indebted countries in the wake of the debt crisis in the early 1980s, total net flows and net transfers to most of the heavily indebted poor countries have remained strongly positive throughout the 1980s and early 1990s. As a result of the continued availability of new flows, many of these countries (most notably, Ghana, Guyana, Mozambique, Tanzania, and Uganda) have been able to achieve increasing investment rates in recent years, reflecting the substantial contribution of foreign aid to capital expenditures.

Table 23. Heavily Indebted Poor Countries: Gross Private Capital Formation, 1984-93 1/

(In percent of GDP)

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	Average 1984-88	Average 1989-93
Benin	10	5	8	7	9	6	9	9	10	10	8	9
Bolivia	7	5	6	8	7	7	8	8	9	8	7	8
Burkina Faso	7	15	12	11	12	16	16	15	14	15	11	15
Burundi	6	5	5	7	4	5	6	5	5	4	5	5
Cameroon	16	13	14	7	13	12	12	11	11	12	13	12
C.A.R.	2	3	2	2	2	2	2	2	1	1	2	2
Chad	1	–	–	–	–	–	–	–	1	1	–	1
Côte d'Ivoire	7	9	7	8	10	7	6	7	8	6	8	7
Equatorial Guinea	7	4	6	7	6	7	7	20	6	3	6	9
Ethiopia	10	4	5	8	10	1	3	3	6	7	7	4
Ghana	4	5	2	3	3	6	5	5	4	4	3	5
Guinea	7	7	9	9	9	9	8	9	9	9	8	9
Guinea-Bissau	3	2	1	4	2	2	2	2	1	1	2	2
Guyana	13	8	11	15	10	17	31	54	46	37	11	37
Honduras	9	10	8	8	11	14	12	14	16	15	9	14
Kenya	11	10	12	12	12	11	16	12	11	11	11	12
Lao P.D.R.	1	2	2	–	10	3	3	5	6	9	3	5
Madagascar	2	3	4	3	6	4	9	2	4	4	4	4
Mali	1	4	10	10	12	12	13	13	13	13	7	13
Mozambique	9	2	4	8	12	13	14	17	21	21	7	17
Myanmar	6	6	4	4	4	5	10	9	8	7	5	8
Nicaragua	3	11	7	10	21	23	17	14	12	12	11	16
Niger	3	2	...	1	5	4	4	4	2	2	2	3
Nigeria	7	9	12	10	11	12	8	15	17	7	10	12
Rwanda	10	9	7	7	8	9	7	5	7	7	8	7
São Tomé and Príncipe	1	3	2	2	3	5	10	7	12	19	2	11
Senegal	12	8	9	10	10	9	10	11	9	10	10	10
Sierra Leone	8	9	9	5	9	12	10	9	6	6	8	9
Tanzania	10	10	14	23	25	30	29	31	35	27	16	30
Togo	8	12	13	13	19	19	18	15	12	3	13	13
Uganda	...	4	3	4	6	8	9	10	9	8	4	9
Viet Nam	1	2	2	–	10	3	3	5	6	9	3	5
Zaïre	5	6	6	6	5	5	6	1	2	2	6	3
Zambia	6	3	3	7	4	1	5	5	7	9	5	5
Simple average	6	6	7	7	9	9	10	10	10	9	7	10

Sources: African Economic Trends data base; and World Economic Outlook database.

1/ Angola, Liberia, Mauritania, Somalia, Sudan, and Yemen are excluded due to data limitations.

- Although the inability of many of the heavily indebted poor countries to achieve sustained growth is likely attributable to factors other than their large debt burdens, the cash-flow needs associated with this debt have necessitated continued reschedulings of debt service in many cases. These repeated reschedulings involve significant costs to policy makers (including the use of scarce governmental/administrative talent), and create uncertainties for future economic prospects. These factors in themselves may have contributed to the relatively poor growth performance of some of these countries. 1/

- While it is difficult to pinpoint a precise relationship between the "debt overhang" and growth or investment on an individual country basis, there is widespread acceptance of the proposition that debt levels for many of the heavily indebted poor countries may be beyond their debt-servicing capacity. Thus, Paris Club creditors have agreed to implement increasingly concessional rescheduling terms--involving NPV reductions--for the low-income rescheduling countries. 2/ Naples terms adopted in December 1994 involve a 67 percent NPV reduction for eligible debt for most low-income countries with the prospect of a stock-of-debt operation with the same concessionality for countries which have established good track records under both Fund arrangements and rescheduling agreements. One of the two criteria used by Paris Club creditors to decide whether a low-income country receives a 67 or a 50 percent NPV reduction is the level of indebtedness measured by the present value of its debt-to-exports ratio; the other criterion is a country's per capita income. Naples terms offer the prospect of an exit from the rescheduling process--and from "debt overhangs"--for most low-income countries. However, for a country to reap the full benefits from this exit, the other impediments to investment and growth need to be tackled by appropriate and determined adjustment and reform policies.

1/ This is consistent with the conclusion of a forthcoming Board paper "The Response of Growth and Investment to Adjustment Policies" which examined the behavior of private investment in eight countries (Bangladesh, Chile, Ghana, India, Mexico, Morocco, Senegal, and Thailand). Although no independent "debt overhang" effect on investment was identified, it concluded that indirect evidence suggests that an earlier resolution of these countries' debt burdens would have yielded a faster rebound in investment through both the effects on uncertainty and the lowering of country-risk premia and interest rates.

2/ Under the menu of options, creditors have a choice between reductions in the nominal value of their claims outstanding or concessional interest rates to achieve the same NPV reduction of their claims. Only the first of these options reduces the nominal value of the debt outstanding. If economic agents or markets focus on the nominal value of a country's debt outstanding (rather than its real debt-servicing burden as indicated by the NPV), there is a risk that choice of the concessional interest option will not remove the perception of a debt overhang.

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III. The Fiscal Burden of External Debt

1. Introduction and summary

There has been increasing interest and concern about the fiscal burden of external debt, in particular of the heavily indebted poor countries. This concern was expressed during the recent IMF Board discussions on multilateral debt and financing for the heavily indebted poor countries earlier this year. 1/ Clearly, the burden of servicing external public debt puts demands on budgetary resources and can contribute to a need for fiscal adjustment; this in turn can lower private savings, which could adversely affect growth and thereby a country's future debt-servicing capacity. This chapter provides factual background material on the fiscal burden of external debt service for the 41 heavily indebted poor developing countries. 2/

The main findings are:

- On the basis of 1994 data, about half of the heavily indebted poor countries face scheduled external debt-service payments exceeding one half of annual government revenue (excluding grants). For 13 of these countries, scheduled debt service exceeded total annual government revenue. 3/ However, actual debt service paid on average was only one-third of scheduled debt service due to debt relief or the accumulation of arrears. In addition, foreign grants substantially alleviated the debt-service burden in most countries, as these added to government revenue resources equivalent to (or exceeding) the actual debt service most of these countries paid.

- For most of the heavily indebted poor countries, the assessment of the debt-service burden on the basis of fiscal indicators closely follows that based on external indicators. However, some countries with low external debt-service ratios have high fiscal debt-service burden indicators. In some of these countries, this reflects relatively low revenue-to-GDP ratios.

1/ "Issues and Developments in Multilateral Debt and Financing for the Heavily Indebted Poor Countries" SM/95/29 (2/7/95), SM/95/30 (2/9/95), and SM/95/61 (3/31/95); see also the Chairman's Summing Up (Buff/95/18 (3/1/95) and Buff/95/33 (4/18/95)).

2/ The group is composed of the 32 countries that are classified by the World Bank as severely indebted low-income countries (SILICs), an additional seven rescheduling countries that have received concessional treatment from the Paris Club, and two lower middle-income countries that have recently become IDA-only (Angola and Congo).

3/ Cameroon, Equatorial Guinea, Guinea-Bissau, Madagascar, Mozambique, Nicaragua, Niger, Nigeria, São Tomé and Príncipe, Sierra Leone, Sudan, Zaïre, and Zambia.

- Among the 13 severely indebted countries where scheduled debt service exceeded annual government revenue, a preliminary analysis of fiscal sustainability, based on a purely illustrative and hypothetical framework, indicates that for about half of these countries, the fiscal policy stance observed in 1994 could not avert a further increase in the external-debt-to-revenue ratio from already very high levels. Further analysis of the fiscal sustainability of external debt would need to be made on a country-specific basis.

After a brief overview (section 2), indicators of the fiscal burden of external debt service in relation to government revenue and expenditure are analyzed in sections 3 and 4, respectively. Section 5 compares this debt-burden assessment to an assessment on the basis of the more usual debt-service-to-exports ratios. The last section applies a stylized framework to a limited set of countries deemed to have a heavy debt-service burden on a fiscal basis as a first look at fiscal sustainability; the framework is described in more detail in the Annex to Appendix I.

2. Overview

Total public and publicly guaranteed external debt of the heavily indebted poor countries in 1994 was estimated at US$206 billion. Most of the total was medium- and long-term (US$189 billion), and three-quarters of this was on concessional terms (Appendix I, Table 24). Short-term debt was small at US$15 billion, and private sector publicly-guaranteed debt, at US$2 billion, was equivalent to only about 1 percent of medium- and long-term debt. These countries had arrears of US$54 billion, equivalent to over 25 percent of total debt.

The degree of public sector external indebtedness varied widely among countries in 1994. Total external debt ranged from about one year's budget revenue (Myanmar) to well over 20 years' revenue (Guinea-Bissau, Mozambique, Nicaragua, São Tomé and Príncipe, Sudan, and Zaïre; Appendix I, Table 25 and Appendix I, Chart 6). After accounting for the devaluation of the CFA franc, public sector external debt on average rose to about 11 years of government revenue by end-1994, up from an average of 9 years of government revenue in the three preceding years.

3. External debt-service burden compared to government revenues

For the 41 heavily indebted poor countries examined, scheduled debt service (SDS) on external public debt before debt relief was equivalent, on average, to 90 percent of government revenue (before grants) during 1994, up from 84 percent during 1990-93 (Appendix I, Table 25 and Appendix I, Chart 7) (Appendix I, Box 9). 1/ Appendix I, Table 25 categorizes countries according to the severity of their scheduled debt-service burden

1/ Data for Liberia and Somalia are not available.

Table 24. Heavily Indebted Poor Countries: Total External Public and Publicly Guaranteed Debt, End-1994

	Consolidated public sector debt 1/				
	Medium- and long-term	Short-term	Private debt publicly guaranteed	Arrears	Concessional ratio 2/
	(In millions of U.S. dollars, unless otherwise indicated)				
Angola	9,217	...	...	5,127	0.32
Benin 3/	1,368	11	–	–	0.96
Bolivia 3/	4,170	250	46	–	0.59
Burkina Faso	1,326	–	–	35	0.88
Burundi	1,169	1	...	...	1.00
Cameroon	7,028	196	...	1,022	0.42
CAR	895	...	–	51	0.91
Chad	709	–	–	...	0.83
Congo 4/	3,218	...	...	...	0.41
Côte d'Ivoire 5/	13,072	1,379 6/	–	4,636	0.27
Equatorial Guinea	267	–	–	54	0.68
Ethiopia 7/	4,167	...	...	...	0.82
Ghana	4,720	175	–	...	0.84
Guinea	2,788	302	...	189	0.84
Guinea-Bissau	770	43	–	303	0.81
Guyana	1,988	7	59	182	0.72
Honduras 3/	3,776	...	...	125	0.47
Kenya	5,506	...	...	78	0.60
Lao, P.D.R. 4/	554	–	–	–	1.00
Liberia	...	...	...	...	0.53
Madagascar	3,976	62	–	1,632	0.57
Mali	2,950	–	–	36 6/	0.98
Mauritania 3/	2,216	108	...	52	0.82
Mozambique 8/	5,404	–	...	12	0.68
Myanmar	5,359	12	–	1,498	0.92
Nicaragua	11,303	443	...	6,052	0.39
Niger	1,347	...	...	17	0.70
Nigeria	31,189	–	–	9,304	0.04
Rwanda	866	–	1	61	1.00
São Tomé and Príncipe	214	47	–	99	0.90
Senegal 4/	3,182	52	–	85	0.71
Sierra Leone	782	413	–	22	0.72
Somalia	2,040 9/	...	...	...	0.82
Sudan	10,135	7,914	1,480	10,846	0.52
Tanzania	5,705	...	110	254	0.73
Togo 10/	1,387	–	–	216	0.75
Uganda	3,578	...	78	224	0.80
Viet Nam 11/	4,467	–	–	1,253	0.91
Yemen	8,443	446	...	3,525	0.63
Zaire	11,768	2,121	...	5,822	0.37
Zambia	6,259	652	–	1,487	0.61
Total	189,274	14,634	1,774	54,297	0.76

Sources: World Debt Tables, 1993 for concessional ratios; and IMF staff estimates.

1/ Public sector operations consolidated at the central government level unless otherwise indicated. Includes debt to the Fund. Includes arrears.
2/ Ratio of outstanding concessional debt to total public and publicly guaranteed debt.
3/ Consolidated public sector includes state and local governments, state enterprises and the financial public sector.
4/ *Includes state and local governments.*
5/ Includes the amortization, stabilization and social security funds.
6/ 1993.
7/ Includes public enterprises.
8/ Includes provincial governments.
9/ 1990.
10/ Includes the amortization and stabilization funds and some local governments.
11/ Excludes debt to Russia, which is under negotiation.

Table 25. Heavily Indebted Poor Countries: External Debt, Government Revenue and Grants, 1990-94 1/

	Debt		Scheduled debt service		Actual debt service		Foreign grants		Government revenue (excl. grants)	
	Avg 1990-93	1994	Avg. 1990-93	1994	Avg 1990-93	1994	Avg. 1990-93	1994	Avg. 1990-93	1994
	(Ratio to government revenue, excluding grants)								(In percent of GDP)	
Low (< 0.2) 2/										
Lao, P.D.R. 3/	3.14	2.79	0.10	0.06	0.10	0.06	0.35	0.47	11	13
Myanmar	1.77	1.08	0.11	0.07	0.03	0.04	0.02	0.02	8	7
Viet Nam 4/	2.09	1.20	0.41	0.15	0.18	0.07	0.03	0.03	17	24
Moderate (0.2-0.5) 2/										
Benin 5/	5.81	7.25	0.42	0.46	0.14	0.23	0.22	0.16	12	13
Bolivia 5/	3.30	3.16	0.39	0.31	0.21	0.21	0.09	0.11	22	24
Burkina Faso	3.13	6.50	0.14	0.28	0.19	0.44	0.38	0.31	12	11
Burundi	5.42	7.37	0.25	0.33	0.25	0.33	0.52	0.21	17	16
Chad	5.17	12.63	0.19	0.48	0.07	0.26	0.94	2.55	9	7
Ethiopia 6/	4.00	4.47	0.39	0.31	...	..	0.31	0.32	13	17
Ghana	4.52	3.60	0.39	0.29	0.39	0.29	0.24	0.14	13	24
Kenya	2.66	2.34	0.34	0.29	0.26	0.29	0.06	0.05	27	31
Senegal 3/	3.12	5.96	0.35	0.50	0.22	0.34	0.07	0.28	18	14
Uganda	11.19 7/	6.66	0.74	0.31	0.48 7/	0.27	0.87	0.45	8	10
Yemen	3.39	2.58	0.33	0.24	0.11	0.05	0.01	–	26	19
High to Severe (> 0.5) 2/										
Angola 8/	3.87	6.21	0.80	0.98	0.22	0.17	--	--	25	36
CAR	6.23	13.70	0.34	0.68	0.15	0.37	0.69	1.01	9	7
Congo 3/	4.86	7.87	...	0.63	..	0.39	0.01	0.01	23	25
Côte d'Ivoire 9/	6.49	8.61	0.82	0.91	0.30	0.59	0.02	0.04	22	22
Guinea	6.54	8.79	0.56	0.74	0.38	0.43	0.28	0.34	14	10
Guyana 10/	14.47	10.82	1.40	0.92	0.68	0.52	0.05	0.05	36	34
Honduras 5/	4.61	4.74	0.54	0.54	0.37	0.43	0.07	0.04	24	25
Mali	7.86	13.00	0.52	0.75	0.18	0.49	0.54	0.77	13	12
Mauritania 5/	12.28	13.92	1.12	0.87	0.28	0.31	0.11	0.08	23	23
Rwanda	3.52	19.47	0.14	0.80	..	...	0.51	0.25	12	5
Tanzania	9.62	9.06	0.75	0.74	0.26	0.33	0.30	0.13	21	22
Togo 11/	5.30	11.83	0.52	0.99	0.17	0.18	0.08	0.06	17	12
Severe (> 1) 2/										
Cameroon	3.64	8.22	0.47	1.11	0.12	0.40	0.02	0.01	15	9
Equatorial Guinea	8.57	12.28	0.79	1.11	0.18	0.26	1.16	0.71	21	19
Guinea-Bissau	23.60	27.89	1.48	1.44	0.19	0.43	1.28	1.18	14	12
Madagascar	12.82	17.34	1.50	1.66	..	...	0.37	0.36	9	8
Mozambique 12/	17.86 7/	20.96	1.68	1.83	0.28	0.36	0.87	1.22	21	18
Nicaragua	33.90	31.20	3.06	4.15	0.44	0.66	0.55	0.24	19	20
Niger	6.58	14.11	0.54	1.10	0.17	0.74	0.58	0.68	9	6
Nigeria	5.47	6.97	1.07	1.05	0.65	0.35	--	--	18	11
São Tomé and Príncipe	24.13	39.75	1.60	1.83	0.33	0.30	0.77	1.56	19	23
Sierra Leone	17.43	10.40	2.10	1.11	0.38	1.36	0.08	0.30	12	14
Sudan	19.92	28.15	1.56	1.89	0.05	0.05	.	..	8	9
Zaire	20.93	79.59	2.00	6.08	0.14	0.08	0.15	0.08	6	10
Zambia	10.82	10.29	1.94	1.86	1.40	0.92	0.43	0.38	18	19
Simple Average	8.97	11.17 13/	0.84	0.89 13/	0.28	0.36	0.34	0.38	16	16
Weighted Average 14/	10.08	10.34 13/	1.06	1.05 13/	0.31	0.31	0.18	0.16	16	16

Source: IMF staff estimates.

1/ Based on consolidated public sector debt, including debt to the IMF. Public sector operations consolidated at the central government level unless otherwise indicated. The categorization is based on the scheduled debt service to revenue ratio (1994). Data for Liberia and Somalia is not available.

2/ Refers to the 1994 scheduled debt service-to-revenue ratio.

3/ Includes state and local governments.

4/ Excludes debt to Russia, which is under negotiation.

5/ Consolidated public sector includes state and local governments, state enterprises and the financial public sector.

6/ Includes public enterprises.

7/ Based on the 1992-1993 average.

8/ 1990 data is not available.

9/ Includes the amortization, stabilization and social security funds.

10/ Data on debt to private creditors is not available for 1991 through 1993.

11/ Includes the amortization and stabilization funds and some local governments.

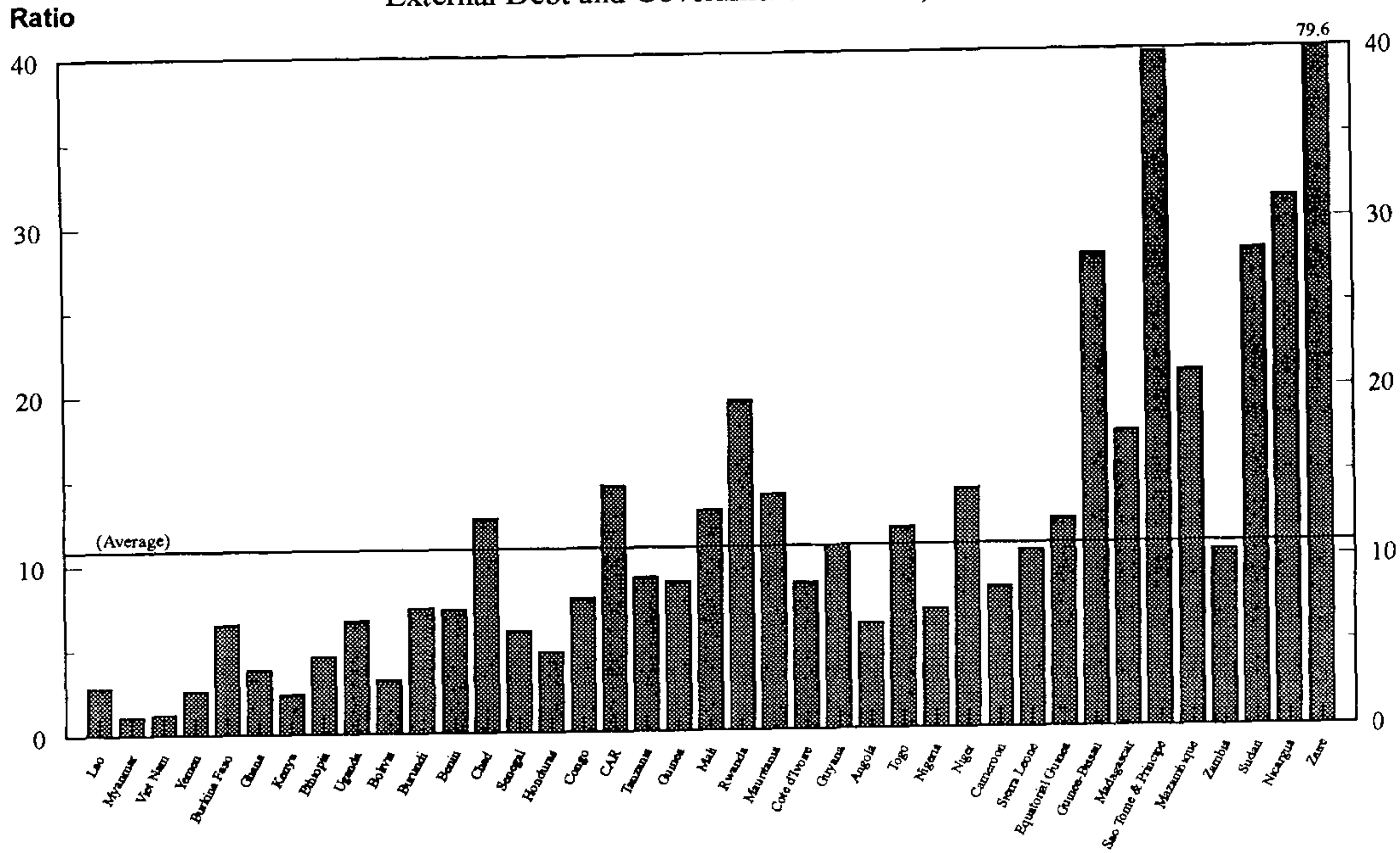
12/ Includes provincial governments.

13/ Excludes Zaire.

14/ Weighting based on consolidated public sector indebtedness.

CHART 6

External Debt and Government Revenue, 1994

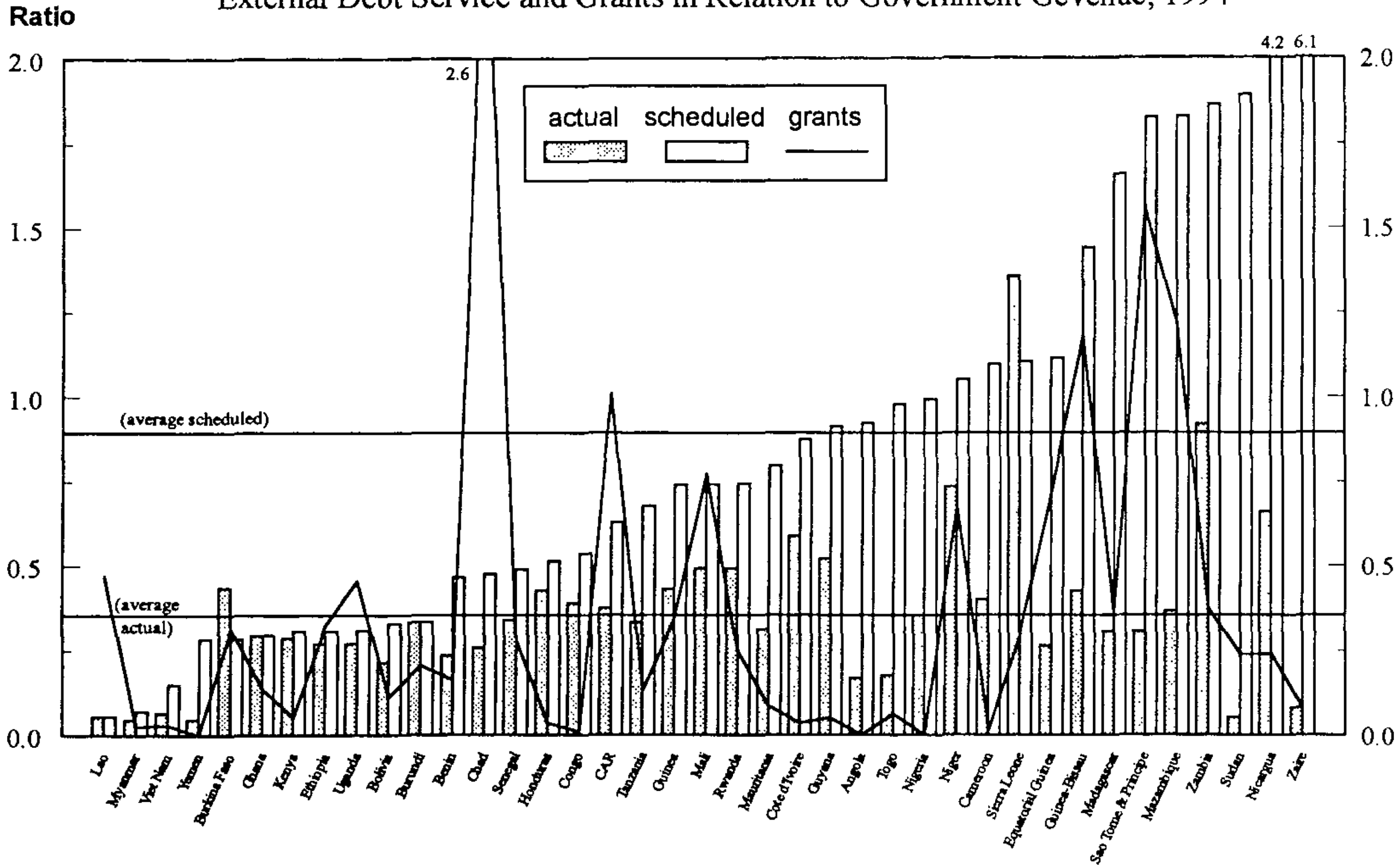


Source: IMF staff estimates.

Countries ranked according to their scheduled-external-debt-service to government-revenue ratios.

CHART 7

External Debt Service and Grants in Relation to Government Gevenue, 1994



Source: IMF staff estimates.

Countries ranked according to their scheduled-external-debt-service to government-revenue ratios.

Appendix I, Box 9. Fiscal Indicators of the External Debt Service Burden

The scheduled-external-debt-service (SDS)-to-revenue ratio shows a government's capacity to repay as scheduled. Government revenue, as defined in this ratio, does not include foreign grants; however, it does include one-time proceeds, such as from privatization. Foreign grants are excluded because they are uncertain and not a permanent source of government revenue. Also, foreign grants are often earmarked, for example to finance imports. Appendix I, Table 25, however, does report foreign grants separately in relation to government revenue because the foreign exchange earned through grants has constituted a significant resource for debt service for many countries.

The SDS-to-government-revenue ratio has to be assessed together with the government-revenue-to-GDP ratio in order to capture the government's ability to appropriate real resources from the private economy (Appendix I, Chart 8). A high SDS-to-revenue ratio may simply indicate a government's difficulties in collecting revenue.

The actual-external-debt-service-to-revenue ratio captures the cash impact of debt servicing. It takes into account debt relief provided by debt-service cancellations and reschedulings as well as the effects of arrears incurred. A shortcoming of this measure is that, given the uncertain nature of debt relief, lower actual debt-service payments may simply reflect an unwillingness to pay.

The scheduled-external-debt-service-to-expenditure ratio measures the burden of servicing debt vis-à-vis other expenditures. It shows how much the debt burden constrains current and capital expenditure commitments.

Both the SDS-to-revenue and the SDS-to-expenditure ratios are based on the consolidated public sector debt, including short-term debt and debt to the IMF. Private sector publicly guaranteed debts are not included because they are a potential rather than actual fiscal burden. For many countries, though, the fiscal burden of external debt might increase once publicly guaranteed debt is taken into account. These ratios may overstate the fiscal burden for two reasons: (i) they include repayments to the Fund in public sector debt service. Given the monetary character of the Fund, obligations to the Fund are normally obligations of the central bank; and (ii) they compare the external debt-service burden of the consolidated public sector to central government revenues and expenditure. Normally, public enterprises should be able to service their debts from their own revenues, though these debts remain a residual liability of the government.

The main shortcoming of debt-service ratios is the fact that they fail to capture anticipated changes in the debt burden that may result from such factors as expected debt relief or anticipated tax reforms. In addition, scheduled-debt-service ratios do not capture amounts in arrears, which in some cases may be substantial.

in 1994: 12 countries had SDS obligations of over one half of one year's government revenue and a further 13 countries had SDS obligations exceeding annual government revenue. Actual debt service represented, on average, only one-third of scheduled external debt service in 1994 as a result of reschedulings (Mozambique, São Tomé and Príncipe, and Zambia) and, in some cases, the continued accumulation of arrears (Equatorial Guinea, Guinea-Bissau, Madagascar, Nicaragua, Nigeria, Sudan, and Zaïre).

There are, however, marked variations among countries. Countries such as Côte d'Ivoire and Honduras, which are not among the countries with the highest SDS ratios, have high actual debt-service ratios as most of their scheduled debt service in 1994 was actually paid (Appendix I, Table 25 and Appendix I, Chart 7). For other countries (e.g., Burkina Faso and Sierra Leone), the actual debt service is greater than scheduled debt service reflecting the payment of arrears. In many countries, high SDS-to-revenue or actual debt service ratios reflected low revenue-to-GDP ratios (Appendix I, Table 25 and Appendix I, Chart 8). 1/

The SDS-to-revenue ratio reflects the degree of concessionality of the debt (Appendix I, Table 24, last column). Concessional debt as a proportion of total debt is as low as 4 percent for some countries (Nigeria) while others have only concessional debt (Burundi, Lao P.D.R., and Rwanda). Thus, a country such as Chad, for which most of the debt is on highly concessional terms, has a moderate SDS-to-revenue ratio despite a very high debt-to-revenue ratio. In contrast, countries such as Angola and Nigeria have SDS-to-revenue-ratios close to unity, despite relatively low debt-to-revenue ratios, partly due to the lower degree of concessionality of their debts.

For most of the heavily indebted poor countries, grant receipts are substantial and an important addition to government revenue though most grants are project related. In 1994, grant receipts on average were equivalent to 40 percent of government revenue, somewhat higher than the 1990-93 average. At the same time, foreign grants represented, on average, 42 percent of SDS from 1990-94 and were equivalent to actual debt service paid in 1994. 2/

4. External debt-service burden compared to government expenditures

A similar picture of the debt-service burden across countries emerges when this burden is measured by the SDS-to-current-expenditure ratio. 3/ Appendix I, Table 26 categorizes countries with low, moderate, high or severe debt-service burdens on the basis of their SDS-to-current expenditure ratio. On average in 1994, scheduled external debt service was equivalent to about 70 percent of current expenditures for the heavily indebted poor countries, with external interest payments accounting for one-third of current expenditures. In the most extreme cases of Nicaragua and Zaïre, total scheduled debt service was equivalent to four to six times current expenditures.

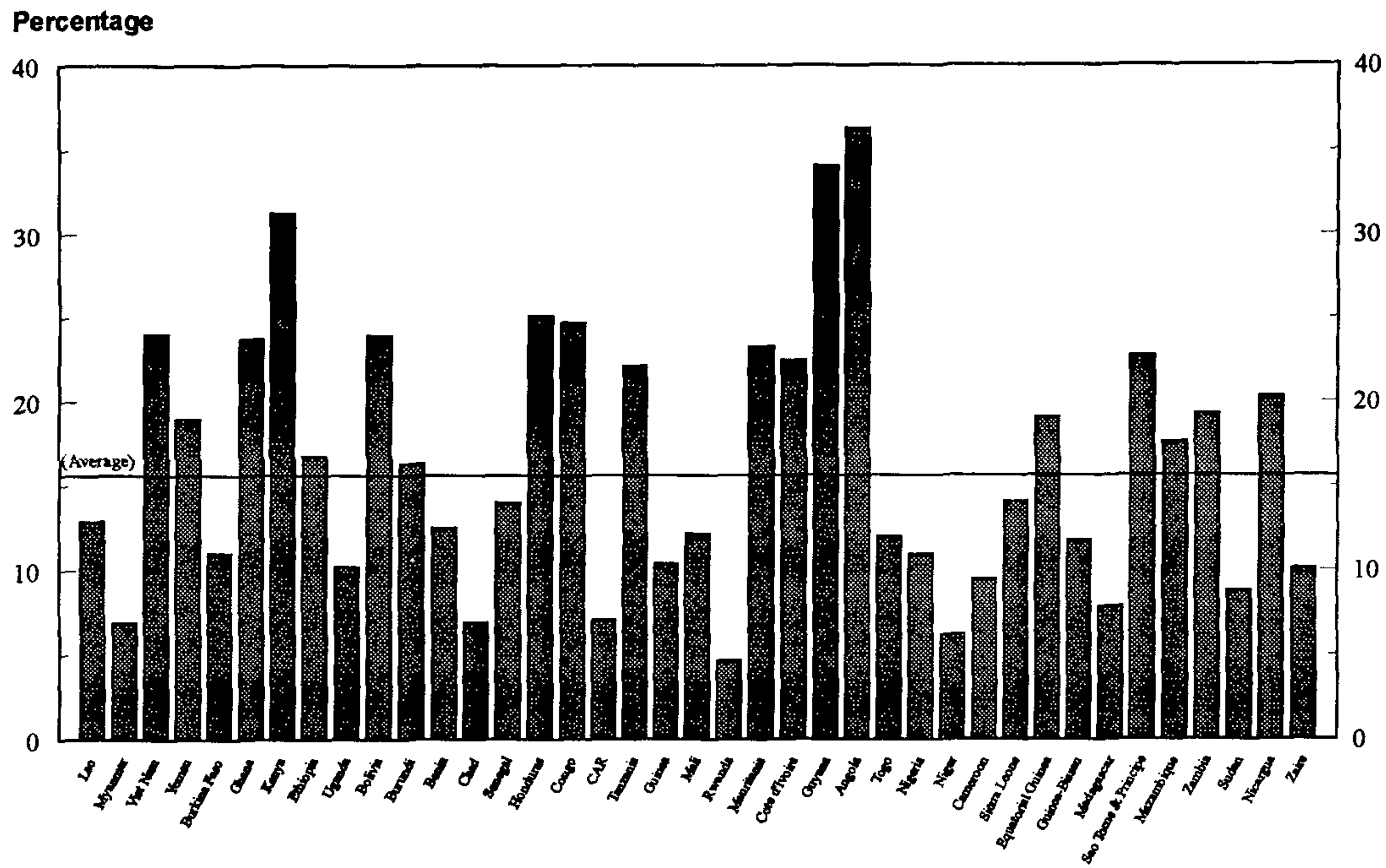
1/ E.g., Guinea-Bissau, Madagascar, Niger, Nigeria, Sierra Leone, Sudan, and Zaïre.

2/ In addition, new disbursements from creditors can alleviate the cash impact of a country's debt-service obligations by de-facto rolling over debt.

3/ The correlation between the SDS-to-current expenditure ratio and the SDS-to-revenue ratio is high (0.94).

CHART 8

Government Revenue in Relation to GDP, 1994



Source: IMF staff estimates.

Countries ranked according to their scheduled-external-debt-service to government-revenue ratios.

Table 26. Heavily Indebted Poor Countries: External Debt Service and Government Expenditure, 1990-94 1/

	Scheduled debt service in relation to				Interest payments on external debt in relation to	
	Current expenditure		Capital expenditure		Current expenditure 2/	Total interest payments 3/
	Avg. 1990-93	1994	Avg. 1990-93	1994	1994	1994
			(Ratios)			
Low (< 0.2) 4/						
Lao P.D.R. 5/	0.10	0.06	0.12	0.06	0.03	0.49
Myanmar	0.10	0.06	0.40	0.26	0.02	0.30
Yemen	0.25	0.12	1.38	1.15	0.02	0.15
Viet Nam	0.39	0.17	1.45	0.52	0.08	0.69
Moderate (0.2-0.5) 4/						
Benin 6/	0.34	0.45	1.05	0.91	0.20	0.86
Bolivia 6/	0.44	0.35	0.90	0.84	0.14	0.92
Burkina Faso	0.13	0.24	0.24	0.34	0.09	0.81
Burundi	0.27	0.31	0.38	0.64	0.08	0.79
CAR	0.22	0.39	0.33	0.48	0.18	0.82
Chad	0.11	0.23	0.19	0.18	0.08	0.85
Congo 5/	...	0.47	...	4.97	0.24	...
Ethiopia 7/	0.28	0.30	0.65	0.45	...	0.22
Ghana	0.42	0.37	0.64	0.61	0.09	0.28
Kenya	0.32	0.36	1.70	1.25	0.11	0.29
Rwanda	0.09	0.22	0.19	1.09	0.07	0.34
Senegal 5/	0.40	0.48	1.67	1.55	0.18	0.82
Uganda	0.59	0.33	0.60	0.42	0.09	0.82
High to Severe (> 0.5) 4/						
Angola	0.43	0.63	4.28	12.88	0.18	0.97
Cameroon	0.38	0.68	1.70	6.11	0.32	0.89
Côte d'Ivoire 8/	0.58	0.79	5.24	3.92	0.30	0.87
Guinea	0.68	0.82	0.74	0.95	0.18	0.95
Honduras 6/	0.64	0.65	1.55	1.18	0.28	0.76
Mali	0.46	0.65	0.70	0.73	0.15	0.91
Niger	0.35	0.52	0.84	1.61	0.17	0.95
Nigeria	0.87	0.75	4.35	2.48	0.31	0.59
São Tomé and Príncipe	0.93	0.78	0.69	0.58	0.35	1.00
Sierra Leone	1.38	0.99	5.53	3.34	0.44	0.77
Tanzania	0.63	0.62	3.08	3.81	0.20	0.25
Togo 9/	0.38	0.54	2.18	5.34	0.23	0.93
Severe (> 1) 4/						
Equatorial Guinea	0.75	1.05	0.53	1.08	0.36	0.93
Guinea-Bissau	1.15	1.23	0.74	0.90	0.38	1.00
Guyana	1.07	1.02	5.58	3.64	0.50	0.42
Madagascar	1.26	1.00	1.71	1.88	0.22	0.95
Mauritania 6/	1.23	1.13	3.05	2.08	0.45	0.35
Mozambique 10/	1.53	1.41	1.61	1.32	0.43	0.96
Nicaragua	2.35	4.09	19.52	10.11	1.41	0.93
Sudan	1.26	1.96	4.86	8.78	0.55	...
Zaïre	0.52	6.24	3.41	...	1.99	0.15
Zambia	1.38	1.52	5.23	4.14	...	0.61
Simple Average	0.65	0.73 11/	2.34	2.44 11/	0.30	0.69
Weighted Average 12/	0.77	0.92 11/	3.84	3.61 11/	0.43	0.55

Source: IMF staff estimates.

1/ Based on consolidated public sector debt, including debt to the IMF. Public sector operations consolidated at the central government level unless otherwise indicated. The categorization is based on the scheduled debt-service-to-current-expenditure ratio. Data for Liberia and Somalia is not available.

2/ Based on medium- and long-term public sector debt.

3/ Based on budgetary data. Includes interest payments on domestic debt.

4/ Refers to the 1994 scheduled debt-service-to-current-expenditure ratio.

5/ Includes state and local governments.

6/ Consolidated public sector includes state and local governments, state enterprises and the financial public sector.

7/ Includes public enterprises.

8/ Includes the amortization, stabilization and social security funds.

9/ Includes the amortization and stabilization funds and some local governments.

10/ Includes provincial governments.

11/ Excludes Zaïre.

12/ Weighting based on consolidated public sector indebtedness.

5. Fiscal compared to external measures of the external debt-service burden

Generally, there is a high positive correlation (0.82) between SDS-to-revenue and SDS-to-exports-of-goods-and-services ratios (Appendix I, Chart 9 and Appendix I, Table 27). 1/ However, some countries with relatively high external indicators of the debt-service burden have relatively low fiscal indicators, such as Ethiopia and Yemen. Equally, there are countries with relatively low export ratios, but which require a relatively high proportion of their fiscal revenues to service their external debt.

For CAR, Cameroon, Chad, and Niger the low correlation between export and revenue ratios is clearly due to low revenues (less than 10 percent of GDP). 2/ In Equatorial Guinea, Congo and Tanzania, fiscal revenues are about 20 percent of GDP, but the proportionally stronger balance of payments position reflects a relatively more favorable private saving behavior.

Theoretical considerations that may help explain why some of these countries with higher fiscal than external burden indicators may have resorted relatively more to external financing are their comparatively low government revenues--due to inefficient tax systems or weak implementation--and/or relatively high public expenditures. Another possible explanation is limited domestic financing opportunities due to such factors as the small size of the domestic capital market, the high default and political risk perceived by potential bond buyers, or policies which constrain the market determination of interest rates. 3/

6. An illustrative approach to fiscal sustainability

The existence of fiscal deficits does not necessarily imply that the ratio of debt to government revenue will grow over time. This ratio will grow inexorably, however, if a government runs primary deficits and the interest rate exceeds the growth rate of public revenues. How much and how fast this ratio changes, how much debt the private sector, and the rest of the world, is willing to hold, and the starting level of indebtedness are important determinants of the fiscal sustainability of a country's external debt.

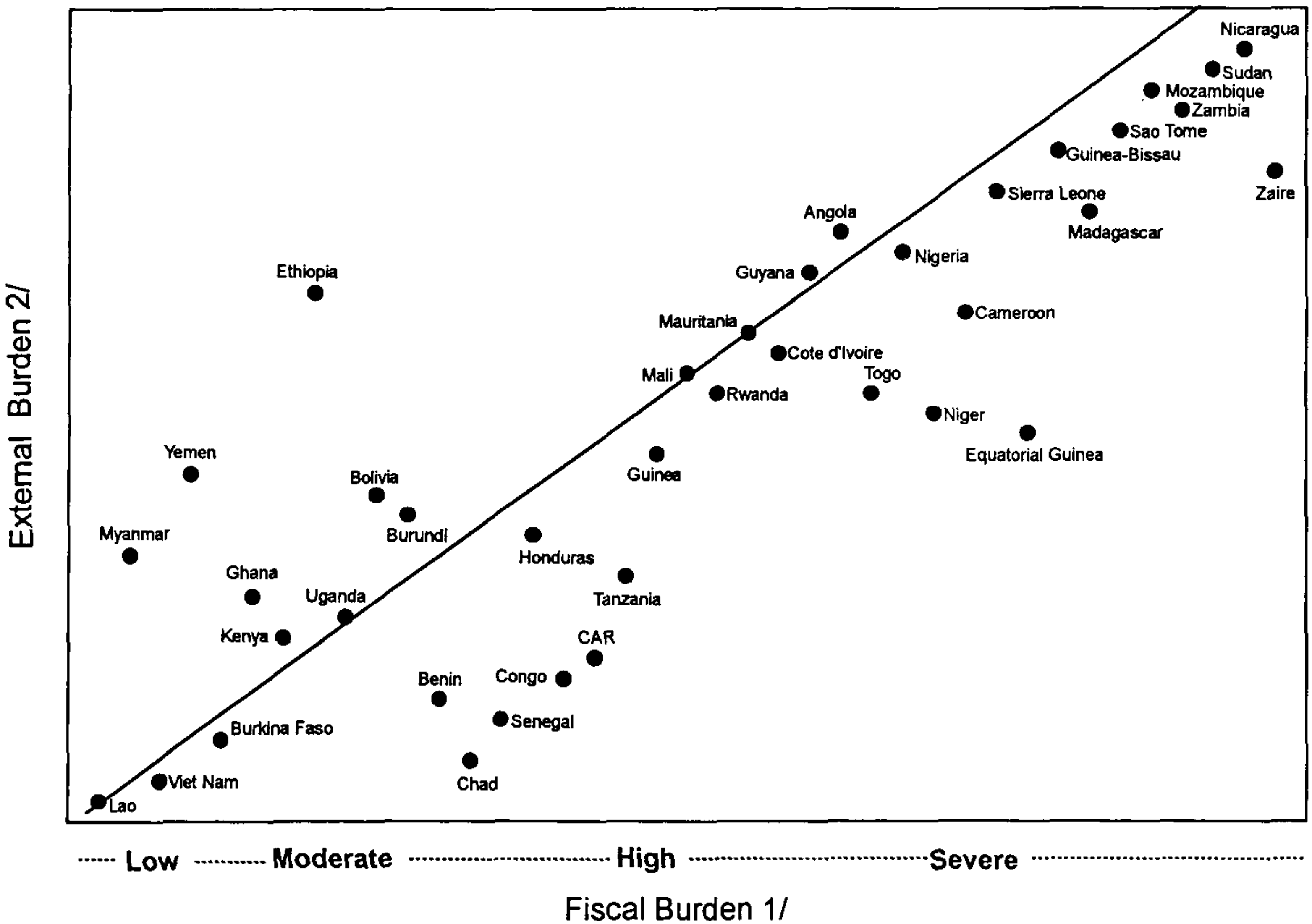
1/ As a result of a correlation, as would be expected, between government revenues and exports.

2/ The programs supported by IMF resources in these countries in 1994 all focused on measures to enhance the revenue base and increase revenues.

3/ For a complete discussion, see "Public Debt and Fiscal Policy in Developing Countries," by Vito Tanzi and Mario Blejer, in Kenneth Arrow and Michael Boskin, "The Economics of Public Debt," Proceedings of a Conference held by the International Economic Association at Stanford, California (1988).

CHART 9

Fiscal and External Measures of External Debt, 1994



Sources: IMF staff estimates.

1/ Ranking based on scheduled-external-debt-service-to-government-revenue ratio.
2/ Ranking based on the scheduled-external-debt-service-to-exports-of-goods-and-services ratio.

Table 27. Heavily Indebted Poor Countries:
External and Fiscal Measures of the External Debt Service Burden, 1994 1/

	Scheduled external debt service relative to			
	Government revenue 2/		Exports of goods and services	
	(Ratio)	(Ranking)	(Ratio)	(Ranking)
Lao 3/	0.06	1	0.04	1
Myanmar	0.07	2	0.33	13
Viet Nam	0.15	3	0.11	2
Yemen	0.24	4	0.37	17
Burkina Faso	0.28	5	0.18	4
Ghana	0.29	6	0.31	11
Kenya	0.29	7	0.26	9
Ethiopia 3/	0.31	8	0.45	26
Uganda	0.31	9	0.27	10
Bolivia 4/	0.31	10	0.37	16
Burundi	0.33	11	0.36	15
Benin 4/	0.46	12	0.22	6
Chad	0.48	13	0.15	3
Senegal 5/	0.51	14	0.20	5
Honduras 4/	0.54	15	0.34	14
Congo 5/	0.63	16	0.23	7
CAR	0.68	17	0.23	8
Tanzania	0.74	18	0.32	12
Guinea	0.74	19	0.38	18
Mali	0.75	20	0.40	22
Rwanda	0.80	21	...	...
Mauritania 4/	0.87	22	0.44	24
Côte d'Ivoire 6/	0.91	23	0.41	23
Guyana	0.92	24	0.48	27
Angola	0.98	25	0.55	29
Togo 7/	0.99	26	0.39	21
Nigeria	1.05	27	0.48	28
Niger	1.10	28	0.39	20
Cameroon	1.11	29	0.44	25
Sierra Leone	1.11	30	0.66	31
Equatorial Guinea	1.11	31	0.39	19
Guinea-Bissau	1.44	32	0.93	33
Madagascar	1.66	33	0.62	30
São Tomé and Príncipe	1.83	34	0.98	34
Mozambique 8/	1.83	35	1.38	36
Zambia	1.86	36	1.06	35
Sudan	1.89	37	1.99	37
Nicaragua	4.15	38	3.51	38
Zaïre	6.08	39	0.76	32

Source: IMF staff estimates.

1/ Data for Liberia and Somalia is not available.
2/ Based on central government obligations, unless otherwise indicated.
3/ Includes Public Enterprises.
4/ Consolidated public sector includes state and local governments, state enterprises and the financial public sector.
5/ Includes state and local governments.
6/ Includes the amortization, stabilization and social security funds.
7/ Includes the amortization and stabilization funds and some local governments.
8/ Includes provincial governments.

This section provides an illustrative assessment of fiscal sustainability for a group of 13 countries with a severe debt burden on the basis of fiscal ratios. 1/ The assessment is based on a stylized framework (Appendix I, Box 10). For each country, a base case has been defined with a plausible set of assumptions about key macroeconomic variables (Appendix I, Box 11). 2/ This rules out the possibility of achieving a lower debt-to-revenue ratio by relying on an unsustainable exchange rate policy to extract resources from the private sector. 3/ The key base case assumptions include no monetary financing, non-monetary domestic financing limited to a roll-over of interest due, and a constant external-debt-to-revenue ratio. This assessment represents a first illustrative exercise that simply asks whether the 1994 fiscal stance of the countries analyzed would have been sufficiently strong to keep the 1994 external debt/revenue ratio unchanged; this does not imply any judgement of the optimality of this ratio. For a more thorough assessment of sustainability, further work would be needed analyzing on a case-by-case basis each country in its specific macroeconomic context and external environment.

1/ Cameroon, Equatorial Guinea, Guinea Bissau, Madagascar, Mozambique, Nicaragua, Niger, Nigeria, São Tomé and Príncipe, Sierra Leone, Sudan, Zaïre, and Zambia.

2/ See Olivier Blanchard, "Suggestions For a New Set of Fiscal Indicators," Department of Economics and Statistics Working Paper No. 79, OECD, April 1990.

3/ For the application of a related framework to oil producing countries see Liuksila, Garcia and Bassett, "Fiscal Policy Sustainability in Oil-Producing Countries," IMF WP/94/137, November 1994; to industrial countries see WEO, Chapter IV, October 1993; to India see Parker and Kastner, "A Framework for Assessing Fiscal Sustainability and External Viability, with an Application to India," IMF WP/93/78, October 1993. Some of these considerations are raised also in the appendix of the forthcoming board paper "Response of Investment and Growth to Adjustment Policies: Lessons from 8 Countries," which includes an evaluation of fiscal sustainability of total debt. For an application in the context of medium-term fiscal scenarios see "Nepal, Background Paper," SM/95/99 (5/10/95).

Appendix I, Box 10. Fiscal Sustainability Framework

The framework compares the current fiscal stance against the stance required to stabilize the external-debt-to-revenue ratio at the base year. The indicator of fiscal sustainability is based on the primary gap needed to achieve stability of the external-public-debt-to-government-revenue ratio. The primary gap is defined as the difference between the actual primary balance and the primary balance needed for sustainability. A positive gap indicates an inconsistency between the actual fiscal stance and the stability of the debt-to-revenue ratio. The required balance is defined based on:

- a solvency constraint which requires budgeted expenditures to equal the sum of domestic revenue (inflationary and non-inflationary) and borrowing (domestic or foreign) and;

- a binding external debt target.

The second constraint is necessary to ensure that the government does not pursue an unsustainably expansionary fiscal policy financed by foreign borrowing. The assumption made here is simply that the target is to keep the external-debt-to-revenue ratio constant, without making a judgement on whether this is a sufficiently ambitious target.

For the most basic illustration of this framework, consider a country with zero revenue growth, a 4 percent average interest rate on external debt, a debt to revenue ratio of 1 and no domestic financing. Such a country needs to produce primary fiscal surpluses of 4 percent of revenue a year to maintain the external-debt-to-revenue ratio constant.

The framework does not imply that the stability of the external-debt-to-revenue ratio is necessarily optimal. Reduction of external debt exposure may be required in many cases. In particular, there might be a need to increase public savings more than the amount suggested by this sustainability criterion alone.

Several factors affect the assessment of fiscal sustainability of external debt: anticipated tax reforms, windfalls from export taxes (such as the one recently observed among coffee exporters), the rate of interest on new foreign currency denominated borrowing, the degree of debt concessionality, the evolution of foreign grants, the extent to which external debt is reschedulable, and the exchange rate policy. Because changes in the exchange rate may alter substantially the primary balance required to stabilize the debt-to-revenue ratio, Appendix I, Tables 28-29 decompose the impact that exchange rate changes have on the primary gap.

Cross-country comparisons such as the one in this appendix may be biased by the different forms in which individual countries receive foreign support, e.g., by concessional interest rates, grants or debt relief measures. An in-depth assessment of the fiscal sustainability of the external debt of a country would need to be based on a comprehensive macroeconomic and fiscal framework applied on a country-by-country basis.

Appendix I, Box 11. Base Case Assumptions for Fiscal Sustainability

The main base case assumptions are:

a. non-monetary domestic financing is limited to a roll over of domestic interest due. The ratio of domestic debt to revenue would vary according to a growth rate given by the real domestic interest rate discounted by the real growth rate of government revenue. There is no monetary financing (see annex for details);

b. no changes in:

-- the ratio of concessional to total external public debt;

-- the nominal concessional and market interest rates on foreign borrowing by the public sector;

-- the inflation rate;

c. no foreign grants;

d. exchange rate changes set equal to the domestic-foreign inflation differential.

Nine of the countries 1/ with a severe debt-service burden show a gap in 1994 between their actual fiscal primary balance and the balance that would have been required to keep the external-debt-to-revenue ratio stable (Appendix I, Table 28). 2/ Setting the exchange rate variation during the year equal to the domestic-foreign inflation differential would remove Equatorial Guinea, Sierra Leone, and Sudan from this group, but add Nigeria. It is striking that under the base case, all countries with current IMF arrangements (Equatorial Guinea, Guinea-Bissau, Nicaragua, Sierra Leone, and Zambia)--except for Mozambique--had negative primary gaps, i.e., a fiscal stance that would not contribute to an increase in the external-debt-to-revenue ratio.

These results should be viewed with caution. For many countries, the sustainability assessment for 1994 is expected to differ from their future fiscal outlook to the extent that changes in government revenue or debt relief are anticipated. For example, in the case of Sierra Leone, revenues were depressed in 1994/95 by civil conflict; a recovery is expected in subsequent years together with more debt relief. The results are heavily dependent on the fiscal position in 1994: for some countries, the 1994 results reflected exceptional revenue efforts (such as the recovery of arrears in the case of Zambia). Further analysis based on a case-by-case approach would have to take into account the particular fiscal circumstances of each country.

1/ Cameroon, Equatorial Guinea, Madagascar, Mozambique, Niger, São Tomé and Principe, Sierra Leone, Sudan, and Zaïre.

2/ Allowing for changes in the base case assumptions regarding foreign grants or the degree of concessionality would not change substantially the fiscal sustainability assessment for any of the countries considered (Appendix I, Table 28, and Appendix I, Annex).

Table 28. Heavily Indebted Poor Countries: Stylized Fiscal Sustainability Analysis of External Debt–Summary

	Primary balance		Primary gap	
	1990-93	1994	Total 1/	Base case 2/
	(Ratios to government revenue)			
Cameroon	-0.20	0.06	2.64	1.68
Equatorial Guinea	-1.27	-0.69	4.87	-1.19
Guinea-Bissau	0.13	0.26	-3.98	-5.99
Madagascar	-0.65	-0.75	4.52	1.61
Mozambique	-0.99	-1.59	4.39	2.46
Nicaragua	-0.48	0.21	-0.51	-1.96
Niger	-0.91	-1.38	6.95	2.10
Nigeria	0.09	-0.10	-0.57	0.77
São Tomé and Príncipe	-2.41	-3.66	13.10	0.97
Sierra Leone	-0.29	-0.22	1.18	-0.24
Sudan	-0.93	-0.09	1.28	-6.31
Zaïre	-2.49	0.02	46.37	7.45
Zambia	0.12	0.35	-3.63	-3.22

Source: IMF staff estimates.

1/ As defined in the Annex. Debt target given by the debt-to-revenue ratio at the beginning of 1994.
2/ Assumes that changes in the exchange rate follow the domestic-foreign inflation differential.

External Debt and Fiscal Sustainability

This annex applies and extends the work of Buiter (1994) on fiscal sustainability of debt. 1/ In particular, among the extensions provided, the analysis that follows differentiates between stabilizing the external vis-a-vis the total debt ratio; incorporates the effect of a varying degree of concessionality of foreign borrowing, and uses an alternative income variable defined by total government revenue, rather than the usual GDP. In addition, the following framework isolates the effects of foreign grants in financing of the public sector, generalizes the criteria for fiscal sustainability, allowing for the possibility of targeting a particular debt ratio, and accounts for possible changes in the exchange rate which may induce variations in the government's net worth without changes in the fiscal stance.

The following definition of the government budget constraint, expressed in domestic currency, is used:

$$-S_t + i_t B^d_{t-1} + i^*_t E_t B^*_{t-1} = B^d_t - B^d_{t-1} + E_t(B^*_t - B^*_{t-1}) + H_t - H_{t-1} \tag{1}$$

where the fiscal balance may be financed through foreign debt, domestic debt or some degree of monetization.

S_t is the primary balance, defined as public sector revenue (tax and non-tax revenue, excluding grants and seigniorage), less expenditures, exclusive of total interest payments;

i_t is the nominal interest rate on government bonds denominated in domestic currency (B^d);

i^*_t is the nominal interest rate on foreign currency denominated borrowing by the public sector (B^*);

B_t is the stock of non-monetary financial debt at period t, excluding official foreign exchange reserves. The stock is composed of domestic (B^d_t) and external (B^*_t) liabilities, the latter converted at the average nominal market exchange rate E_t.

$$B_t = B^d_t + E_t B^*_t \tag{2}$$

1/ Buiter, W., "Indicators of Fiscal Sustainability," Mimeo, August 1994.

H_t is the stock of monetary liabilities, or base money.

The following expression for the required budget surplus based on a target debt (external or total)-to-revenue ratio is derived by denoting by lower cases the above variables expressed in percent of total government revenue, and substituting, as appropriate, for the additional definitions below:

$$s_t = \left(\frac{[(1 + i_t^*) + (i_t^c - i_t^*)\alpha_t](1 + e_t)}{(1 + \pi_t)(1 + g_t)} - 1\right) b_{t-1}^* - d_t - \sigma_t - n_t - \gamma_t \quad (3)$$

where

$i^c{}_t$ is the nominal concessional interest rate on foreign borrowing by the public sector;

α_t is the ratio of foreign concessional to total external debt;

e_t is the rate of devaluation of the nominal exchange rate;

Π_t is the growth rate for the deflator of government revenue;

g_t is the growth rate of real government revenue;

σ_t is seigniorage, defined as the change in H_t in percent of total government revenue;

n_t is the domestic currency equivalent of foreign grants to the public sector as a proportion of total government revenue;

γ_t is the targeted degree of reduction in the debt to revenue ratio; and

$$d_t = + b_t^d - \frac{(1 + r_t)}{(1 + g_t)} b_{t-1}^d \quad (4)$$

where r_t is the real domestic interest rate.

Note that all the terms in the expression for the required primary surplus (equation 3) have a straightforward interpretation. The first term on the right hand side determines the sustainable (required) primary surplus based on the previous stock of external debt, the external interest rate, the rate of devaluation, the real growth rate of government revenue and the inflation rate. 1/ This term is corrected by the proportion of concessional debt and the difference between concessional interest rates and market rates. The second term, d_t (equation 4), captures the increase in domestic debt ratios above the levels explained by the domestic interest and government revenue growth rates.

The primary surplus required to target the ratio of external debt-to-government revenue is derived by setting d_t equal to zero. In this case, non-monetary domestic financing is limited to the amount of interest payments due. The ratio of domestic debt to revenue would vary as long as the growth rate of government revenue differs from the domestic interest rate. 2/ Targeting of the total debt to revenue ratio requires d_t to be non-zero, with $b^d_t = b^d_{t-1}$ yielding the following additional term in the expression for the sustainable primary surplus:

$$+\frac{(r_t - g_t)}{(1 + g_t)} b^d_{t-1} \qquad (5)$$

Appendix I, Table 29 derives, from equation 3, the sustainable primary balance for 13 countries with SDS-to-revenue ratios greater than 1 in 1994. The table decomposes the required primary balance in two components: one is due to the difference between the average foreign interest rate and the real government revenue growth rate; the other is due to the impact of exchange rate deviations from the purchasing power parity during the year. In addition, the table shows the required primary balance under two alternative assumptions: including grants as revenue and replacing all non-concessional debts with concessional ones.

The results show that in almost every case, because of the sensitivity of the debt-to-revenue ratio to changes in debt valuation, the primary balances required to stabilize it are very large, some being strongly

---

1/ Assumed to be equal to the growth rate of the deflator for government revenue.

2/ Under the alternative assumption of no non-monetary domestic financing, the ratio of domestic debt to revenue would vary according to the revenue growth rate with positive rates implying a declining ratio. In addition to stabilizing the external debt to revenue ratio, the required primary surplus would have to provide for the payment of the domestic interest due ($d_t = -r_t * b^d_{t-1}$), since no domestic financing would be allowed.

Table 29. Heavily Indebted Poor Countries: Stylized Fiscal Sustainability Analysis of External Debt

	Required primary balance								Required primary balance under alternative assumptions	
	Total 1/	Due to								
		Exchange rate variation	Base case	Concessional factor 3/	Burden factor 4/	Interest revenue factor 5/	World inflation factor 6/	Debt to revenue target	Including grants	Including grants and concessional terms 7/
	(a)=(b)+(c)	(b) 2/	(c)=(d)+(e)	(d)	(e)=[(f)/(g)-1]*(h)	(f)	(g)	(h)		
	(Government revenue ratios; unless otherwise indicated)									
Cameroon	2.70	0.97	1.73	-0.09	1.82	1.42	1.05	5.10	2.69	2.55
Equatorial Guinea	4.18	6.06	-1.88	-0.08	-1.80	1.10	1.42	7.90	3.47	3.40
Guinea-Bissau	-3.71	2.01	-5.72	-0.10	-5.63	0.85	1.04	30.21	-4.89	-4.92
Madagascar	3.77	2.91	0.86	-0.18	1.04	1.16	1.07	12.20	3.41	3.24
Mozambique	2.80	1.93	0.88	-0.30	1.18	1.12	1.05	17.03	1.59	1.43
Nicaragua	-0.30	1.45	-1.75	-0.21	-1.55	0.99	1.05	30.33	-0.54	-0.88
Niger	5.57	4.85	0.72	-0.16	0.88	1.17	1.05	7.75	4.90	4.79
Nigeria	-0.67	-1.34	0.67	-0.01	0.68	1.14	1.03	6.17	-0.67	-0.86
São Tomé and Príncipe	9.44	12.13	-2.69	-0.07	-2.62	0.96	1.06	29.47	7.88	7.87
Sierra Leone	0.96	1.42	-0.46	-0.05	-0.41	0.87	0.98	3.72	0.68	0.65
Sudan	1.19	7.59	-6.40	-0.12	-6.28	0.81	1.07	25.86	...	...
Zaïre	46.39	38.92	7.47	-0.33	7.81	1.31	1.03	29.08	46.31	45.13
Zambia	-3.28	-0.41	-2.87	-0.09	-2.77	0.81	1.02	13.09	-3.65	-3.71

Source: IMF staff estimates.

1/ As defined in the annex. Debt target given by the debt-to-revenue ratio at the beginning of 1994.
2/ Other than the variation assumed under the base case.
3/ Based on actual degree of debt concessionality.
4/ Reflects real revenue growth, average nominal foreign interest rate and inflation in partner countries.
5/ Foreign interest and real government revenue growth rate differential.
6/ As measured by the change in export unit value of trading partners.
7/ Assumes all external debt to be on concessional terms.

positive, others strongly negative. Therefore, attempting to stabilize the debt-to-revenue ratio in any given year would not be a realistic goal. However, stabilizing or reducing the ratio over time would be a reasonable goal. The results also show the difficulty of stabilizing the debt ratio when its initial level is high. In Equatorial Guinea, for instance, to maintain a debt-to-revenue ratio equal to 8 the required primary balance was equivalent to 4 times government revenue in 1994. The exchange rate devaluation that took place during the year required a primary balance equal to 6 times the government revenue to maintain a stable debt-to-revenue ratio. Excluding the exchange rate impact, other factors--such as the real growth in government revenue in excess of the average foreign interest rate, and accounting for the existing degree of debt concessionality--would have allowed a reduction in the debt-to-government-revenue ratio equivalent to almost 2 times government revenue (Appendix I, Table 29).

External Debt of the Baltic Countries, the Russian Federation, and the Other Countries of the Former Soviet Union, and Russian Claims on Developing Countries

This Appendix surveys developments in the external indebtedness of the Baltic countries, Russia, and the other FSU countries (chapter I), and provides an overview of Russian claims on developing countries (chapter II). As a result of the zero-option agreements, the Russian Federation inherited the external assets and liabilities of the FSU, and thus is by far the largest debtor and creditor in the region. Various overall points on Russia are worth emphasizing:

- According to the Russian valuation, Russia's claims on developing countries amounted to about US$170 billion at the end of 1993, exceeding by more than 40 percent the size of its external debt (some US$120 billion, including debt to former COMECON countries).

- Many of Russia's claims are disputed by debtors in terms of both coverage and valuation.

- Partly in consequence, these claims have been largely non-performing--Russia received debt service of only around US$1 billion in 1994.

- Russia paid debt service to its creditors of around US$4 billion in 1994, notwithstanding substantial debt relief granted by Russia's official bilateral and commercial creditors.

I. External Debt of the Baltic Countries, the Russian Federation, and the Other Countries of the Former Soviet Union

The main developments in the external indebtedness of the Baltic countries, Russia, and the other countries of the former Soviet Union (FSU) are: 1/

- Most of the debt to non-FSU creditors is owed by the Russian Federation and was inherited from the U.S.S.R.; Russia is a net creditor to the other countries of the FSU.

1/ There are significant shortcomings in the quality and coverage of data on debt. For example, with respect to intra-FSU indebtedness, there are substantial discrepancies between information from creditors and from debtors. Also, for lack of a time series, CMEA debts between Russia and former CMEA countries are not included here (according to Russian sources, debt owed to CMEA countries amounted to US$26 billion at end-1994).

- Some countries (notably Armenia, Georgia, the Kyrgyz Republic, and Tajikistan) have accumulated debt to non-FSU creditors reflecting increased multilateral and bilateral assistance in support of their stabilization efforts and structural reforms, as well as the use of import finance. Some of this debt, such as the balance of payments and humanitarian assistance from the EU, was contracted on inappropriate terms, involving large bullet payments.

- There has been a rapid build-up of intra-FSU debt (mainly to Russia and Turkmenistan), reflecting mainly (i) the conversion by Russia of correspondent account balances to state debts and provision of state credits; and (ii) the conversion of trade arrears to state debts.

- The sharp build-up of trade-related arrears resulted mainly from the large rise in the price of energy imports (toward world market prices) in a system of traditional trade relations--established under the highly integrated former Soviet command economy--whereby suppliers continued to deliver goods without payments, for technical, political, and other reasons.

- A factor in the debt build-up was inadequate debt-monitoring and control systems; many countries have taken steps to set up and strengthen such systems.

- The profile of scheduled debt service for the medium term of several of these countries (notably Georgia and Tajikistan) raises the prospect of a need for further debt reschedulings to reduce actual debt service to the countries' payments capacity.

Section 1 briefly describes the agreements on Union of Soviet Socialist Republics (U.S.S.R.) debt that were signed among the various countries following the break-up of the FSU; Section 2 discusses the evolution of external debt and debt service in 1992-94, distinguishing between intra-FSU operations and those with non-FSU creditors; Section 3 deals with the accumulation of arrears on external debt; while Section 4 discusses reschedulings of debt and debt service with FSU and non-FSU creditors; and finally, Section 5 looks at the evolution and current status of debt-monitoring and control systems in the region.

1. Agreements on U.S.S.R. debt

With the break-up of the U.S.S.R., the lack of a clear responsibility for servicing its external debt became an impediment to establishing normal relations between, on the one hand, the Baltic countries, Russia and the other FSU countries, and, on the other hand, their external creditors. To address these concerns, on October 28, 1991, the Russian Federation and seven other countries of the FSU signed a Memorandum of Understanding (MOU), accepting joint responsibility for U.S.S.R. debt. 1/ However, the MOU did not provide for individual country responsibility for debt service, and subsequently, on December 4, 1991, nine countries signed the Interstate Treaty, that allocated to each country a share in U.S.S.R. debts (Appendix II, Box 1 and Appendix II, Table 1).

Appendix II, Box 1. The Memorandum of Understanding and the Interstate Treaty

The signatories to the Memorandum of Understanding (Appendix I, Table 1) agreed to (i) be jointly and severally responsible for the existing external debt of the U.S.S.R.; (ii) designate VneshekonomBank (VEB--the Bank for Foreign Economic Relations) as its legal successor as the debt manager; and (iii) conclude an agreement for servicing the debt, on a joint and several basis. The signing of the Memorandum signalled to external creditors the collective responsibility of the signatories for servicing the external debt.

To apportion each country's responsibility for servicing U.S.S.R. debt, the Interstate Treaty was agreed which specified the division of debts and assets of the U.S.S.R. according to shares for all the 15 states based on macroeconomic indicators. 1/ The signatories were required to deposit foreign exchange with the VEB to service their portion of the debt, and were to be held jointly and severally responsible for the debt. In the event, the Interstate Treaty did not work as had been envisaged, and only the Russian Federation deposited foreign exchange with the VEB.

1/ These indicators included population, national income, and exports and imports in convertible currencies during 1986-90.

The failure of the MOU and the Interstate Treaty to provide for satisfactory debt service led the Russian Government, in April 1993, to propose the "Zero Option" Agreement, in which the signing countries gave up their claims on the external assets of the FSU in return for Russia's taking over the responsibility for these countries' share of FSU external debt. To date, all countries have signed the "Zero Option" Agreement except for the Baltic countries, who have argued that they were occupied countries during the period they were part of the U.S.S.R., and, therefore, the question of ownership rights and obligations over a share of FSU assets and liabilities is not applicable to them (Appendix II, Table 1).

1/ Two other countries signed in 1992, Georgia and Ukraine.

Table 1. The Baltic Countries, Russia, and the other Countries of the Former Soviet Union: Agreements on U.S.S.R. External Debt

	Share in External debt of the U.S.S.R. (In percent)	Debt Stock (in billions of US$)	Signatory to Memorandum of Understanding October 28, 1991	Interstate Treaty December 4, 1991	Zero Option Agreement
Russia	61.3	44.2	yes	yes	N/A
Ukraine	16.4	11.8	yes 1/	yes	December 9, 1994
Belarus	4.1	3.0	yes	yes	June 20, 1992
Uzbekistan 2/	3.3	2.4	no	no	November 2, 1992
Kazakhstan	3.9	2.8	yes	yes	September 6, 1993
Georgia	1.6	1.2	yes 3/	yes	September 14, 1993
Azerbaijan	1.6	1.2	no	no	September 7, 1993
Lithuania 4/	1.4	1.0	no	no	no
Moldova	1.3	0.9	yes	yes	*October 19, 1993*
Latvia 4/	1.1	0.8	no	no	no
Kyrgyz Republic	1.0	0.7	yes	yes	August 23, 1992
Tajikistan	0.8	0.6	yes	yes	December 17, 1993
Armenia	0.9	0.6	yes	yes	September [illegible], 1993
Turkmenistan	0.7	0.5	yes	yes	July [illegible], 1992
Estonia 4/	0.6	0.4	no	no	no
Total	100.0	72.0			

Sources: National authorities.

1/ Ukraine signed the Memorandum of Understanding in March 1992.

2/ Uzbekistan claimed that past cotton re-exports had made it a creditor of the former Soviet Union, and therefore, did not sign the MOU and the Interstate Treaty; subsequently, however, it signed the "Zero-Option" agreement.

3/ Georgia signed the Memorandum of Understanding in May, 1992.

4/ The Baltic countries took the view that they were occupied countries during the period they were part of the U.S.S.R. *and, therefore, the question of ownership rights and obligations over a share of the assets and liabilities of the* former U.S.S.R. was not applicable to them. Accordingly, they did not sign any of the agreements, and the indicated shares of debt of the U.S.S.R. were assigned to them by the signatories to the Interstate Treaty.

2. Evolution of debt and debt service in 1992-94

The region's external debt rose from US$83 billion in 1992 to US$108 billion in 1994 (Appendix II, Table 2), reflecting the capitalization of interest on FSU debt, increased multilateral and other bilateral assistance in support of these countries' stabilization efforts and structural reforms, and the emergence of intra-FSU debt. The bulk of the debt is owed by Russia to non-FSU creditors, as a result of Russia's taking over the external assets and liabilities of the FSU under the Zero Option agreement. In terms of the share of the region's total debt, 1/ Russia's share fell from about 94 percent in 1992 to 87 percent in 1994.

Scheduled debt service fell for Russia from 35 percent of exports in 1992 to about 30 percent (or 25 percent of exports of goods and nonfactor services) in 1994. However, during this period, actual payments were significantly lower due to the rescheduling of obligations to official creditors and the accumulation of arrears to commercial banks and suppliers. Of the scheduled debt service due of US$19.4 billion and US$19.9 billion in 1993 and 1994 respectively, Russia paid in cash only US$2.5 billion and US$3.7 billion respectively; payments in 1992 were minimal.

For the Baltic countries and most of the other FSU countries, debt-service ratios were small through 1994. However, in some countries, such as Georgia where debt service due in 1994 reached 32 percent of exports, debt-service ratios rose sharply. This reflected a rapid build-up of relatively short-term debt combined with a sharp decline in trade with traditional trading partners following the breakup of the U.S.S.R. In many of these countries exports have been slow to recover, and in several countries (Armenia, Azerbaijan, Belarus, Kazakhstan, and Moldova) the level of exports recorded in 1994 was lower than in 1992.

a. Debt and debt service to non-FSU creditors

Russia's external debt rose from about US$79 billion in 1992 to US$94 billion in 1994, all to non-FSU creditors. This reflected mostly capitalization of interest on existing debt and borrowing from multilateral institutions.

The total stock of debt owed to non-FSU creditors by the Baltic countries and the other FSU countries (excluding Russia) rose from US$1.4 billion in 1992 to US$6.5 billion by end-1994 (Appendix II, Table 3) or about 9 percent of GDP (with wide variations from 5 percent for

1/ Including intra-FSU debt.

Table 2. The Baltic Countries, Russia, and the other Countries of the Former Soviet Union: External Debt–Summary (Stocks at end of period), 1992-94

	1992	1993	1994	1992	1993	1994
	(In millions of U.S. dollars)			(In percent of total debt)		
Total debt outstanding 1/	83,089	93,571	108,423	100.0	100.0	100.0
Medium-and long-term debt 2/	69,005	77,260	87,421	83.0	82.6	80.6
Public and publicly guaranteed 3/	67,005	75,760	86,409	80.6	81.0	79.7
Official Creditors	39,281	50,488	59,064	47.3	54.0	54.5
Multilateral (excl. IMF)	298	1,816	2,608	0.4	1.9	2.4
World Bank	2	549	1,291	--	0.6	1.2
EBRD	--	12	73	--	--	0.1
E.U.	297	1,155	1,144	0.4	1.2	1.1
Other	--	100	100	--	0.1	0.1
Bilateral	39,292	48,672	56,456	46.9	52.0	52.1
FSU	3,321	6,077	7,676	4.0	6.5	7.1
Russia	3,277	5,625	5,930	3.9	6.0	5.5
Turkmenistan	--	198	1,244	--	0.2	1.1
Other	45	253	503	0.1	0.3	0.5
Non-FSU	35,662	42,595	48,779	42.9	45.5	45.0
Private creditors	27,724	25,272	27,345	33.4	27.0	25.2
Bonds	1,700	1,600	1,700	2.0	1.7	1.6
Commercial banks	124	126	135	0.1	0.1	0.1
Other	25,900	23,546	25,510	31.2	25.2	23.5
Private nonguaranteed 3/	2,000	1,500	1,012	2.4	1.6	0.9
Short-term debt 4/	13,013	13,185	15,377	15.7	14.1	14.2
Debt to IMF	1,071	3,126	5,733	1.3	3.3	5.2
ESAF	--	--	14	--	--	--
SBA	1,071	1,229	1,393	1.3	1.3	1.3
STF	--	1,878	4,290	--	2.0	3.9
CCFF	--	19	37	--	--	--
Memorandum items:						
External debt arrears owed to	9,016	10,590	16,151	...	...	...
FSU creditors	315	586	2,785	...	...	...
Non-FSU creditors 5/	8,701	10,004	13,366	...	...	...
Multilaterals	--	3	6	...	...	...
Bilaterals	4,401	5,001	5,771	...	...	...
Other (private)	4,300	5,000	7,589	...	...	...
Total debt (in percent of GDP)	74.5	40.1	30.5	...	...	...
Non-FSU debt	71.5	37.5	28.3	...	...	...
FSU debt	3.0	2.6	2.2	...	...	...
Debt owed to non-FSU creditors by	79,768	87,494	100,747	100.0	100.0	100.0
Baltic countries	180	663	982	0.2	0.8	1.0
Russia	78,700	83,700	94,200	98.7	95.7	93.5
Other FSU countries	888	3,131	5,565	1.1	3.6	5.5

Sources: Data provided by authorities; and IMF staff estimates.

1/ Excluding CMEA debt.
2/ Includes arrears for some countries.
3/ These guarantees refer to those of the debtor country, and not to those provided by creditor governments or their export credit agencies.
4/ Includes Russia's interest arrears of US$4.3 billion, $5.0 billion, $7.5 billion for 1992, 1993 and 1994 respectively.
5/ At end-1994, Ukraine owed US$144 million, Georgia US$12.3 million, Tajikistan US$8.3 million, and the Kyrgyz Republic US$1.5 million.

Table 3. The Baltic Countries, Russia, and the other Countries of the Former Soviet Union: Debt by Country (Stocks at end of Period), 1992-94 1/

	1992			1993			1994		
	Non-FSU Creditors	FSU Creditors	Total	Non-FSU Creditors	FSU Creditors	Total	Non-FSU Creditors	FSU Creditors	Total
				(In millions of U.S. dollars)					
Total	80,085	3,321	83,406	87,494	6,077	93,571	100,747	7,676	108,423
Russian Federation	78,700	–	78,700	83,700	–	83,700	94,200	–	94,200
Other countries	1,385	3,321	4,706	3,794	6,077	9,871	6,547	7,676	14,223
Armenia	57	33	90	62	67	129	122	79	202
Azerbaijan	–	–	–	–	–	–	59	165	224
Belarus	435	135	570	403	586	989	587	595	1182
Estonia	37	–	37	140	–	140	169	–	169
Georgia	95	–	95	180	365	545	336	647	983
Kazakhstan	...	...	...	574	1,274	1,848	1,394	1,403	2,797
Kyrgyz Republic	28	157	184	122	173	295	238	182	420
Latvia	69	–	69	242	–	242	370	–	370
Lithuania	74	20	94	281	–	281	443	–	443
Moldova	17	–	17	174	82	256	410	94	504
Tajikistan	45	–	45	99	290	389	149	549	697
Turkmenistan	–	–	–	168	–	168	418	–	418
Ukraine	386	2,834	3,220	834	2,738	3,572	1,269	3,425	4,694
Uzbekistan	142	143	285	515	502	1,017	582	538	1,120
				(In percent of U.S. dollar GDP) 2/					
Total	71.8	3.0	74.8	37.5	2.6	40.1	28.3	2.2	30.5
Russian Federation	96.0	–	96.0	51.7	–	51.7	33.3	–	33.3
Other countries	4.7	11.2	15.9	5.3	8.5	13.8	9.0	10.5	19.5
Armenia	...	...	...	...	...	...	18.8	12.1	30.9
Azerbaijan	...	...	...	–	–	–	5.1	14.3	19.5
Belarus	10.8	3.3	14.1	10.4	15.2	25.6	10.6	10.7	21.3
Estonia	3.4	–	3.4	8.6	–	8.6	6.4	–	6.4
Georgia	...	...	...	14.8	30.0	44.8	27.0	52.0	78.9
Kazakhstan	...	...	...	4.9	10.9	15.8	8.6	8.7	17.3
Kyrgyz Republic	...	...	...	12.1	17.2	29.3	24.0	18.3	42.4
Latvia	5.2	–	5.2	10.8	–	10.8	10.7	–	10.7
Lithuania	8.6	2.3	10.9	8.6	–	8.6	7.6	–	7.6
Moldova	1.5	–	1.5	8.9	4.2	13.1	21.4	4.9	26.2
Tajikistan	15.5	–	15.5	14.6	42.8	57.4	19.0	69.9	88.9
Turkmenistan	–	–	–	5.4	–	5.4	17.5	–	17.5
Ukraine	2.1	15.1	17.1	2.5	8.1	10.5	5.2	14.0	19.2
Uzbekistan	7.1	7.1	14.2	9.4	9.1	18.5	10.3	9.5	19.7
				(In percent of exports)					
Total	100.7	4.2	104.8	96.6	6.7	103.3	104.7	8.0	112.6
Russian Federation	150.2	–	150.2	143.6	–	143.6	142.9	–	142.9
Other countries	5.1	12.2	17.3	11.7	18.8	30.6	21.6	25.3	46.9
Armenia	17.0	9.8	26.8	29.9	32.3	62.3	58.5	37.8	96.3
Azerbaijan	–	–	–	–	–	–	9.3	25.9	35.2
Belarus	16.1	4.6	20.7	32.4	10.2	42.6	42.3	10.7	53.0
Estonia	8.1	–	8.1	17.2	–	17.2	13.0	–	13.0
Georgia	35.5	–	35.5	50.2	101.4	151.5	72.1	138.8	210.9
Kazakhstan	–	–	–	12.0	26.7	38.8	42.4	42.7	85.1
Kyrgyz Republic	9.8	55.0	64.7	36.4	51.7	88.1	70.1	53.5	123.6
Latvia	8.3	–	8.3	24.3	–	24.3	38.3	–	38.3
Lithuania	5.8	1.6	7.4	14.4	–	14.4	19.7	–	19.7
Moldova	1.9	–	1.9	38.5	18.1	56.6	66.5	15.2	81.7
Tajikistan	24.5	–	24.5	21.8	64.1	85.9	29.1	107.1	136.2
Turkmenistan	–	–	–	6.4	5.6	12.0	20.7	6.1	26.8
Ukraine	3.4	25.1	28.5	6.5	21.4	27.9	10.7	29.0	39.7
Uzbekistan	10.0	10.0	20.0	17.9	17.5	35.3	20.5	18.9	39.4

Sources: Data provided by the authorities; and IMF staff estimates.

1/ Excludes CMEA debt.

2/ The near halving of debt to GDP ratio between 1992 and 1993 mainly reflects the impact of real appreciation of the ruble on GDP in U.S. dollars. These same factors were present in 1994 but to a lesser extent.

Azerbaijan and Ukraine to 27 percent for Georgia). 1/2/ After independence, these countries started to borrow abroad, especially from multilateral and bilateral creditors, in support of their efforts to transform and stabilize their economies, as well as to finance imports. By end-1994, debt owed by the Baltic countries had reached around US$1 billion, while that of the other non-Russian countries in the region had reached over US$5.6 billion.

Total debt-service obligations to non-FSU creditors by the Baltic countries and other non-Russian countries in the region rose from US$43 million in 1992 to over US$1.3 billion in 1994 (Appendix II, Table 4). In relation to exports, their debt service obligations to non-FSU creditors rose from virtually zero in 1992 to about 4½ percent in 1994.

The structure of debt to non-FSU creditors has shifted noticeably during 1992-94 as the region had to rely increasingly on multilateral and official bilateral credits in the virtual absence of new commercial credits (Appendix II, Table 2). The share of multilateral debt in total non-FSU debt reached 8 percent at end-1994; among the multilaterals, debt to the IMF accounted for two-thirds by end-1994 (see Appendix II, Box 2). 3/ The share of medium- and long-term debt owed to official bilateral creditors (who continued to provide the bulk of new financing) rose slightly to about half of the total by end-1994. In contrast, the share of medium- and long-term debt owed to private creditors declined to about 28 percent at end-1994. Short-term debt, including arrears, accounted for about 15 percent of total debt to non-FSU creditors at end-1994.

Most of the external financing from bilateral creditors to the region was in the context of programs supported by the IMF and the World Bank, and under the auspices of the EU/G-24 group of creditor countries and Consultative Groups organized to pledge additional assistance. However, only Japanese financing (from Japan Eximbank and, for the Kyrgyz Republic, from OECF) was directly linked to IMF disbursements (Kazakhstan, the Kyrgyz Republic, and Moldova) or was co-financing with World Bank loans (Estonia, Kyrgyz Republic, Latvia, Lithuania, Kazakhstan, and Moldova).

1/ Public and publicly-guaranteed debt.

2/ The debt-to-GDP ratios, and the figures for U.S. dollar GDP should be interpreted with caution given the wide swings in exchange rates, particularly for the earlier years, 1992-93. The near halving of the debt-to-GDP ratio between 1992 and 1993 mainly reflects the impact of the real appreciation of the ruble on GDP in U.S. dollars. Some of the high debt/GDP ratios reflect the collapse in economic activity as well as serious measurement problems.

3/ The debt stock in relation to GDP owed to multilaterals at end-1994 was highest for the Baltic countries (over 5 percent of GDP) reflecting their more rapid progress in reform and stabilization. The ratio for Russia was about 2 percent of GDP. For the other FSU countries, it averaged slightly over 4 percent of GDP.

Table 4. The Baltic Countries, Russia, and the other Countries of the Former Soviet Union: Scheduled Debt Service, 1992-94

	1992			1993			1994			Distribution of Total Scheduled Debt Service		
	Interest	Principal	Total	Interest	Principal	Total	Interest	Principal	Total	1992	1993	1994
	(In millions of U.S. dollars, unless otherwise indicated)									(In percent of group total)		
Total debt service	5,263	13,280	18,543	4,863	15,085	19,949	6,377	16,500	22,877	100.0	100.0	100.0
Medium- and long-term debt	4,863	13,253	18,116	4,604	15,034	19,638	5,946	16,327	22,274	97.0	98.4	97.4
Public and publicly guaranteed 1/	4,161	13,253	17,414	4,070	15,032	19,102	4,343	16,127	20,470	92.1	95.8	89.5
Official creditors	2,257	17,911	10,168	2,582	8,887	11,468	3,480	10,588	14,068	41.1	57.5	61.5
Multilateral (excl. IMF)	--	--	--	43	--	43	103	170	273	--	0.2	1.2
Bilateral	2,257	17,911	10,168	2,539	8,887	11,425	3,377	10,418	13,795	41.1	57.3	60.3
FSU	--	--	--	53	8	61	319	1,319	1,638	--	0.3	7.2
Non-FSU	2,257	17,911	10,168	2,486	8,879	11,364	3,059	9,099	12,157	41.1	57.0	53.1
Private creditors	1,904	5,342	7,246	1,488	6,145	7,634	863	5,540	6,402	50.9	38.3	28.0
Private nonguaranteed	--	--	--	--	--	--	3	6	9	--	--	--
Other	702	--	702	533	3	536	1,601	194	1,795	4.9	2.7	7.8
Short-term debt	400	27	427	202	51	253	202	173	375	3.0	1.3	1.6
Debt to IMF	--	--	--	58	--	58	228	--	228	--	0.3	1.0
Memorandum items:												
Debt-service ratios (in percent of exports)												
Total	6.6	16.7	23.3	5.4	16.7	22.0	6.6	17.1	23.8	...	...	...
The Baltic countries	0.2	0.3	0.4	0.8	0.5	1.3	1.2	0.5	1.7	...	...	...
Russia	10.0	25.3	35.3	8.0	25.3	33.2	8.7	21.5	30.2	...	...	...
The other FSU countries	--	0.1	0.1	0.6	1.2	1.8	2.2	9.0	11.2	...	...	...
Debt service to Non-FSU Creditors (in millions of U.S. dollars)												
Total	5,263	13,280	18,543	4,810	15,077	19,888	6,058	15,181	21,239	...	...	...
Russia	5,250	13,250	18,500	4,650	14,730	19,380	5,750	14,150	19,900	...	...	...
Other countries	13	30	43	160	347	508	308	1,031	1,339	...	...	...

Sources: Data provided by the authorities; and IMF staff estimates.

1/ Debtor countries' guarantees.

Appendix II, Box 2. IMF Financing to the Baltic Countries, Russia, and the Other FSU countries

Much of the IMF's financing over the period 1992-94 was under the Systemic Transformation Facility (STF) which was established as a temporary facility in April 1993. The STF provides assistance to members that are experiencing balance of payments difficulties as a result of severe disruptions in their traditional trade and payments arrangements due to a shift from trade at nonmarket prices to market-based trade. For eligible members not yet able to formulate a program that could be supported under the Fund's existing facilities, use of the STF was on the condition that the member would seek to reach understandings with the IMF as soon as possible on a comprehensive adjustment program that could be supported by an IMF arrangement in the upper-credit tranches.

By end-1994, three-quarters of IMF exposure to the Baltic countries, Russia, and the other FSU countries reflected purchases under the STF (including all countries except Azerbaijan, Tajikistan, Turkmenistan, and Uzbekistan), about one quarter reflected purchases under stand-by arrangements (the Baltic countries, Kazakhstan, the Kyrgyz Republic, Moldova, and Russia's purchase under the first credit tranche), and the remaining small amounts reflected CCFF purchases (Moldova), and disbursements under the ESAF (Kyrgyz Republic).

The shocks experienced by the region following the breakup of the U.S.S.R., and the subsequent delays in achieving economic stabilization, in conjunction with continuing balance of payments difficulties in many of the newly independent countries, resulted in reduced access to loans from the private sector (both guaranteed and non-guaranteed by the public sector). 1/ Few new credits were obtained, and some of these were secured by offshore escrow accounts (Appendix II, Box 3).

1/ The government guarantees referred to here and elsewhere in this chapter are in connection with the debtor authorities, and do not refer to guarantees of credits provided by export credit agencies.

Appendix II, Box 3. Offshore Escrow Accounts and the World Bank's Negative Pledge Clause

Offshore escrow accounts may be requested by external creditors to ensure availability of foreign exchange to service specific debt or other contractual obligations. Escrow accounts have often been used between commercial lenders and private buyers. However, in the case of the economies in transition, where the private sector was small and the value of sovereign guarantees uncertain, creditors also wanted public sector buyers to establish escrow accounts. To facilitate this, the World Bank agreed in 1993 to consider waivers, on a temporary and limited basis, of its negative pledge clause. This clause protects the Bank against the use of governmental resources, or the use of governmental authority to mobilize other resources, to enable other foreign creditors to obtain foreign exchange in preference to the Bank through the creation of liens or priorities on public assets.[1]

The precise magnitude of debt secured by offshore escrow accounts is difficult to quantify, but it appears that the possibility of escrow-secured lending has not yet led to major additional inflows to transition economies. To date, only Kazakhstan, Russia, and Uzbekistan have sought and been granted waivers from the World Bank's (and the EBRD's) negative pledge clause. In the case of Russia, export credit agencies of Italy, Japan and the United States have signed agreements which could potentially support loans of around US$7 billion for the oil and gas sector, secured by export proceeds channeled through off-shore accounts, but there has been little additional finance from commercial creditors. The World Bank did not act to extend the waiver at the end of 1994, and only projects under negotiations and signed prior to June 30, 1995 would continue to benefit from the waiver.

[1] For more information on offshore escrow accounts and the World Bank's Negative Pledge Clause, see pp. 21-23, in the "Officially Supported Export Credits--Recent Developments and Prospects," World Economic and Financial Surveys, March 1995.

b. Developments in intra-FSU debt

Intra-FSU debt (excluding the Baltic countries, which have not reached any debt agreements with Russia or the other FSU countries) has risen sharply since the breakup of the U.S.S.R., and reached US$7.5 billion at end-1994 (Appendix II, Table 3). The growth in intra-FSU debt has been particularly pronounced in Georgia (see Appendix II, Box 4) and Tajikistan where, at end-1994, debt to FSU creditors was equivalent to 52 percent and 70 percent of GDP, respectively. This brought the total debt outstanding (including non-FSU debt) at end-1994 to nearly 80 percent of GDP for Georgia, and to 90 percent of GDP for Tajikistan, despite their having signed the "Zero Option" Agreement in 1993. 1/

1/ For Tajikistan, the growth in FSU debt reflected the conversion to state debt of correspondent account balances with Russia, the build-up of trade arrears with Uzbekistan, and a ruble currency loan from Russia.

Appendix II, Box 4. Georgia: Conversion of Trade Arrears to State Debt

The build-up of Georgia's intra-FSU debt has arisen mainly from non-payment for imports of natural gas, primarily to Turkmenistan, and from the conversion into bilateral debt of correspondent account balances with Russia. In 1991 and most of 1992, Georgia was able to pay for its imports from Turkmenistan with exports of goods. However, when the price of gas was increased sharply in 1993, arrears began to accumulate. Arrears outstanding at end-1993 were converted into a loan of US$181 million. However, during 1994, additional arrears of US$155 million accumulated.

By end-1994, Georgia's total debt reached about US$1 billion, of which more than 60 percent reflected trade financing as major trading partners continued to supply goods despite a lack of payments by Georgia. This debt was initially accumulated without any bilateral discussions or any assessment of Georgia's creditworthiness by the creditors involved.

In February 1995, Georgia reached a preliminary agreement with Turkmenistan to convert all its obligations, including amounts covered by the 1993 agreement, gas transit arrears from 1993, and penalties, into a debt of US$440 million.

The main source of the build-up of intra-FSU debt has been the conversion of correspondent account balances with the Central Bank of Russia into inter-state loans with virtually all countries in the region except with the Baltic countries (Appendix II, Box 5). Such balances were incurred as a result of payment orders channelled through the regional central banks, largely without control by the creditor or the debtor governments. Russia closed this credit window from mid-1993, and subsequently provided new financing mainly in the form of state credits--which required approval of the Russian Parliament--amounting to an estimated US$495 million in 1993 (of which US$239 million was to Ukraine) and US$170 million in 1994. All countries in the region received such credits, except for the Baltic countries, Azerbaijan, and Turkmenistan. Other important sources of the build-up of official intra-FSU debt included, (i) the conversion to inter-state debt of arrears on trade (Azerbaijan, Georgia, Tajikistan, and Ukraine), the bulk of which was related to arrears on energy imports; and (ii) the conversion of inter-enterprise arrears owed to Russian enterprises into state debt by Turkmenistan (Rub 31 billion) and Ukraine (Rub 408 billion). The stock of intra-FSU debt is likely to rise further as continuing negotiations to convert remaining correspondent account balances

Appendix II, Box 5. Conversion of Correspondent Account Balances into Interstate Debt

On January 1, 1992, the Central Bank of Russia (CBR) established a system of correspondent accounts for each of the central banks of the FSU countries.[1] Other central banks gradually followed suit, establishing a network of official correspondent relations. These bilateral accounts replaced the interbranch payments mechanism used by the State Bank of the USSR (Gosbank) under the system of central planning, and allowed central banks to begin monitoring payments imbalances in inter-state trade. In early 1993, the Russian authorities announced that official financing of inter-state imbalances would be shifted from the correspondent accounts to inter-governmental credits, and by May 1993, the CBR had virtually ceased processing payments through its correspondent accounts. Negative correspondent account balances were to be converted into inter-state debt.

By end-1994, Russia had signed agreements to convert such balances into state debts with all countries, except the Baltic countries and Turkmenistan. Two key issues were (i) the appropriate exchange rate for converting ruble-denominated debts into U.S. dollar-denominated debts; and (ii) the repayment terms.

The exchange rate applied in the agreements ranged from an average of Rub 292/US$1 for Georgia, to roughly Rub 512/US$1 for Tajikistan, and depended on the period in which each country contracted its official liability vis-à-vis Russia. Similarly, the terms of repayment varied, but in general the interest rates on the debts were market-related, LIBOR plus a spread of 0.5-1.0 per-cent (except for Belarus and Uzbekistan's first credit, where the interest rate was zero), and maturities were in the range of 4-7 years, including grace periods of 1-3 years. The most concessional terms for the conversion were granted to Belarus and included a zero interest rate, a maturity of about 14 years and a 7-year grace period.[2]

Besides agreements with Russia, there were other conversion agreements involving Georgia (with Armenia, Azerbaijan, and Kazakhstan as creditors), the Kyrgyz Republic (with Kazakhstan and Uzbekistan as creditors), and Uzbekistan (with Belarus as creditor).

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[1] For more details see "Financial Relations Among Countries of the Former Soviet Union" EBS/93/158, and EBS/93/158 Supplement 1, September 23, 1993.

[2] See Table 3, page 26, of "Financial Relations Among Countries of the Former Soviet Union" EBS/93/158.

and trade arrears into inter-government debt are concluded, 1/ and some of the current disputes between countries on such debts are settled. 2/

Russia and Turkmenistan are the two major creditors of the region, accounting for 93 percent of total intra-FSU claims at end-1994 (Appendix II, Table 2). 3/ This reflects their role as major energy suppliers in the region and the sharp deterioration in the terms of trade of the other FSU countries as energy prices were raised toward world market levels, while energy consumption adjusted only slowly. Energy producers often continued supplying despite lack of payment because of technical reasons--such as the nature of gas pipelines involved, which often traverse the non-paying country--and because of close political ties between the countries concerned. Using debtor country data, debt owed to Russia increased from US$3.3 billion in 1992 to US$5.3 billion in 1994, while debt owed to Turkmenistan rose from zero to US$1.2 billion in the same period. It should be noted that there are significant differences between debt information provided by debtors and that provided by creditors, reflecting, in part, different interpretations of what constitutes debt (Appendix II, Table 6). 4/

Meanwhile, intra-FSU debt-service obligations due rose from zero in 1992 to an estimated US$1.6 billion in 1994, equivalent to over 6 percent of exports of the countries of the FSU other than Russia and the Baltic countries (Appendix II, Tables 4 and 5).

1/ Negotiations are under way to convert into inter-state debt (i) trade arrears (1991-93) owed to Armenia by Georgia and Ukraine; (ii) outstanding arrears on Belarussian imports of gas from Russia; and (iii) trade arrears to Russia of Belarus and Georgia.

2/ Other current disputes on correspondent account balances include those between the Kyrgyz Republic and Belarus, Ukraine and Georgia; between Ukraine and Russia who have yet to agree on the size of penalty payments to Russia as a result of arrears on energy payments; and between Russia and Turkmenistan.

3/ Other important creditors at end-1994 on the basis of debtor-country data included Uzbekistan US$212 million (owed largely by Tajikistan), and Kazakhstan, US$69 million (owed by Georgia, the Kyrgyz Republic, and Tajikistan).

4/ For example, a creditor country may include trade arrears not yet formally converted to debt, whereas the debtor country may exclude this from its debt obligations.

Table 5. The Baltic Countries, Russia, and the other Countries of the Former Soviet Union: Scheduled Debt-Service Ratios, 1992-94

(In percent of exports)

	1992	1993	1994
Armenia	0.5	2.5	3.8
Azerbaijan	...	...	1.3
Belarus	0.1	1.2	9.5
Estonia	1.5	2.1	0.8
Georgia	0.9	4.3	32.2
Kazakhstan	0.1	1.5	3.2
Kyrgyz Republic	--	1.6	25.6
Latvia	0.3	2.2	4.7
Lithuania	0.1	0.6	0.9
Moldova	--	0.7	2.6
Russian Federation	35.3	33.2	30.2
Tajikistan	--	2.3	5.7
Turkmenistan	--	0.1	2.4
Ukraine	...	1.6	15.2
Uzbekistan	1.6	5.9	13.8
Memorandum items:			
Total	17.9	22.0	23.8
Russia	27.1	33.2	30.2
The Baltic countries	0.4	1.3	1.7
The other FSU countries	0.1	1.8	11.2
Intra-FSU debt-service ratio 1/	--	0.2	6.3

Sources: Data provided by the authorities; and IMF staff estimates.

1/ Debt-service payments by the "other FSU countries" (i.e., excluding the Baltic countries and Russia) to other countries of the FSU, in relation to total exports by the "other FSU countries".

Table 6. The Baltic Countries, Russia, and the other Countries of the Former Soviet Union: Inter-State Debt, 1992-94

(In millions of U.S. dollars)

	1992			1993			1994		
	Information from			Information from			Information from		
	Debtors	Creditors	Difference	Debtors	Creditors	Difference	Debtors	Creditors	Difference
Total	3,321	265	3056	6,081	5,932	149	7,654	7,800	-146
Armenia	33	1	32	67	59	8	79	99	-20
Azerbaijan	--	3	-3	--	83	-83	165	203	-38
Belarus	135	9	126	434	453	-19	421	455	-34
Estonia	--	--	--	--	--	--	--	--	--
Georgia	--	18	-18	365	169	195	647	566	81
Kazakhstan	--	15	-15	1,274	1,269	5	1,403	1,322	81
Kyrgyz Republic	157	19	138	182	169	12	186	177	9
Latvia	--	--	--	--	--	--	--	--	--
Lithuania	20	1	19	--	1	-1	--	--	--
Moldova	--	--	--	82	108	-26	94	119	-25
Russian Federation	--	98	-98	--	39	-39	--	1	-1
Tajikistan	--	21	-21	290	313	-24	549	484	65
Turkmenistan	--	5	-5	148	2	146	148	28	120
Ukraine 1/	2,834	15	2819	2,738	2,742	-4	3,425	3,807	-382
Uzbekistan	143	60	83	502	524	-22	538	538	--

Sources: Data provided by the authorities; and IMF staff estimates.

1/ Discrepancy in 1994 may reflect the exclusion of gas arrears from Ukraine's debt.

c. Maturity structure of overall debt (both to intra- and non-FSU creditors) and debt-service burden

Most debt outstanding at end-1994 was of medium-term maturity and is scheduled to be repaid before the year 2000 (Appendix II, Tables 7-8). Abstracting from the need to clear US$16 billion in end-1994 arrears--through rescheduling or payments--scheduled debt-service payments decline from US$19 billion in 1995 to US$10 billion in 2000, dominated by a drop in Russia's obligations from US$16 billion in 1995 to US$8 billion in 2000. Among the other countries of the region, some have a relatively short maturity structure of their debt: Uzbekistan, Georgia, Tajikistan, and Turkmenistan all have large payments falling due in 1995-97. Moldova is facing a significant rise in repayments in 1998-99, while the Baltic countries face large bullet payments in 2000 to the EU (Appendix II, Box 6) and to G-24 countries. For a number of countries, including Armenia, Azerbaijan, Estonia, Turkmenistan, Ukraine, and Uzbekistan, nearly all debt falls due over the next 6 years. The scheduled debt service is likely to be beyond the debt-servicing capacities of several countries, which raises the possibility of a need for future reschedulings, and underlines the urgency of instituting adequate debt-management policies.

Appendix II, Box 6. European Union (EU) Financing

The debt owed to the EU includes that for humanitarian assistance and for trade financing; the latter was originally contracted by the U.S.S.R., but was disbursed to the various countries following the break-up of the U.S.S.R. For several countries (Armenia, Belarus, Georgia, and Tajikistan), this debt has been *onerous due to its short repayment period* (payments are bullet payments due generally after 3 years) and high interest rate (ECU-LIBOR plus a margin of 0.3 percent). Bullet payments are expected over the period 1995-96, as follows: Armenia (1995-96), Belarus (1995), Georgia (1995-97), Moldova (1995), Tajikistan (1995).

EU financing to the Baltic countries was in the form of balance of payments support within the G-24 framework, and not specifically *for trade finance. The first bullet payments for* the Baltic countries (US$24 million for Estonia, US$70 million for Latvia, and ECU 50 million for Lithuania), will be due in 2000.

d. Currency composition of debt

Excluding Russia, for which no recent information is available, the currency composition of the region's debt outstanding over the period 1992-94 remained dominated by U.S. dollar debt (Appendix II, Table 9). Nonetheless, there was a shift away from the U.S. dollar toward other currencies and, in particular, toward the SDR, reflecting increased IMF support for adjustment programs in the region. At end-1994, debt

Table 7. The Baltic Countries, Russia, and the other Countries of the Former Soviet Union: Scheduled Debt Service, 1992-2000

(In millions of U.S. dollars)

	1992	1993	1994	Projection (based on debt at end-1994) 1995	1996	1997	1998	1999	2000
Armenia	2	5	8	52	58	31	35	39	33
Principal	--	1	1	45	45	19	23	33	29
Interest	2	4	7	7	13	12	12	6	4
Azerbaijan	--	--	--	67	76	45	44	18	--
Principal	--	--	--	58	68	41	41	16	--
Interest	--	--	--	9	8	4	3	2	--
Belarus	2	39	252	219	216	203	154	148	145
Principal	--	6	191	119	129	121	78	76	77
Interest	2	33	61	101	87	83	76	72	68
Estonia	7	17	11	13	32	37	37	28	61
Principal	7	13	3	3	22	28	30	22	55
Interest	--	4	8	10	10	9	7	6	6
Georgia 1/	3	16	150	322	115	129	27	26	20
Principal	1	4	118	273	88	110	19	19	14
Interest	2	12	32	49	27	18	8	7	6
Kazakhstan 2/	3	69	105	220	242	233	167	132	126
Principal	--	49	62	162	193	193	135	106	106
Interest	3	21	43	58	50	40	32	26	20
Kyrgyz Republic	--	6	87	85	74	77	69	49	43
Principal	--	--	70	67	53	56	50	32	28
Interest	--	5	17	19	21	21	19	17	15
Latvia	3	22	45	37	68	74	60	45	113
Principal	--	8	20	12	44	54	43	30	104
Interest	3	14	25	25	24	20	17	15	9
Lithuania	2	12	19	32	64	89	84	83	130
Principal	--	--	--	6	30	50	40	34	74
Interest	2	12	19	25	34	39	44	49	56
Moldova	--	3	16	81	76	91	135	133	88
Principal	--	--	--	45	34	47	95	103	69
Interest	--	3	16	37	42	43	40	30	19
Russian Federation	18,500	19,380	19,900	15,870	14,150	11,080	9,900	10,490	8,490
Principal	13,250	14,730	14,150	12,270	10,590	8,320	7,530	8,550	7,190
Interest	5,250	4,650	5,750	3,600	3,560	2,760	2,370	1,940	1,300
Tajikistan	--	10	29	114	247	91	34	32	31
Principal	--	--	6	75	183	84	29	28	29
Interest	--	10	23	39	64	7	5	4	2
Turkmenistan	--	2	59	196	185	84	--	--	--
Principal	--	--	--	170	170	79	--	--	--
Interest	--	2	59	26	16	5	--	--	--
Ukraine	--	201	1,794	1,075	869	957	931	930	410
Principal	--	130	1,524	777	623	760	786	835	353
Interest	--	71	270	298	246	197	145	95	57
Uzbekistan	23	165	381	429	234	138	126	112	106
Principal	22	149	347	391	196	110	105	98	98
Interest	1	16	34	38	38	27	21	14	9
Total debt service	14,223	19,946	22,856	18,813	16,522	13,274	11,802	12,265	9,797
Principal	8,960	15,088	16,492	14,302	12,298	9,993	9,004	9,983	8,225
Interest	5,263	4,858	6,364	4,511	4,224	3,281	2,799	2,282	1,572

Sources: Data provided by the authorities; and IMF staff estimates.

1/ Projections of debt service before the preliminary agreement reached with Turkmenistan in February 1995.

2/ Does not include debt service on the debt with Russia, for which negotiations on a possible cancellation are underway.

Table 8. The Baltic Countries, Russia, and the other Countries of the Former Soviet Union: Maturity Profile of Debt, 1995-2000

	The Proportion of Outstanding Debt at End-1994 falling due in		
	1995	1995-98	1995-2000
	(In percent of debt at end-1994)		
Armenia	22	82	96
Azerbaijan	26	100	100
Belarus	10	44	51
Estonia	2	62	95
Georgia	28	52	53
Kazakhstan	12	56	64
Kyrgyz Republic	16	61	68
Latvia	3	49	78
Lithuania	1	36	53
Moldova	9	64	78
Russian Federation	13	50	58
Tajikistan	11	57	61
Turkmenistan	41	100	100
Ukraine	17	81	88
Uzbekistan	35	80	89
Memorandum items:			
Total	13.5	52.3	60.0
The Baltic Republics	2.2	45.7	69.4
Russian Federation	13.0	50.2	57.8
Other FSU states	18.4	70.0	76.8
Total (in U.S. dollars)	14,472	55,998	64,223
The Baltic countries	21	448	681
Russia	12,270	47,260	54,450
The other FSU countries	2,181	8,290	9,092

Sources: Data provided by the authorities; and IMF staff estimates.

denominated in U.S. dollars still accounted for two-thirds of the total debt (down from over three-quarters in 1992), while debt denominated in SDRs and in German marks accounted for about 11 percent each. ECU-denominated debt remained virtually unchanged at about 5 percent of the total, while the share of ruble-denominated debt fell to about 3 percent (from 5 percent in 1992).

Table 9. The Baltic Countries, Russia, and the other Countries of the Former Soviet Union: Currency Composition of Debt (Excluding Russia), 1992-94

	1992	1993	1994	1992	1993	1994
	(In millions of U.S. dollars)			(In percent of debt outstanding)		
Totals	4,747	10,283	14,698	100.0	100.0	100.0
U.S. dollars	3,644	7,151	9,876	76.8	69.5	67.2
ECUs	249	790	774	5.2	7.7	5.3
Yen	--	4	241	--	--	1.6
German Marks	457	1,160	1,593	9.6	11.3	10.8
Rubles 1/	245	392	414	5.2	3.8	2.8
SDRs	71	625	1,540	1.5	6.1	10.5
Other	81	161	259	1.7	1.6	1.8

Sources: Data provided by the authorities; and IMF staff estimates.

1/ See Appendix II, Box 5 for a reference to the conversion rate for rubles.

1/ Includes post-cutoff date debt to Paris Club creditors, private sector debt, and gap financing.
2/ On Naples terms according to terms described in Appendix 1, Box 2.
3/ Assumed to take place on January 1, 1995.
4/ Includes all debt to non-Paris Club official creditors, and passive debt.
5/ For 1995 includes the clearance of US$156 million in arrears to non-Paris Club official creditors and private creditors. Assumes 1995 Paris Club rescheduling agreement is not in force.
6/ Excludes arrears clearance in 1995.

3. Arrears on debt-service payments 1/

a. To non-FSU creditors

Similar to the overall debt to non-FSU creditors, Russia accounted for the bulk of arrears to non-FSU creditors, both to official and commercial creditors. Russia's arrears rose from US$9 billion in 1992 to US$13 billion in 1994. 2/ Some of the other countries in the region started to incur arrears to non-FSU creditors in 1994, and these reached US$160-170 million at end-1994. The bulk of this was owed by Ukraine (US$144 million; Appendix II, Table 2).

b. To FSU creditors

Arrears data on intra-FSU debt is incomplete. On the basis of available information covering Georgia, the Kyrgyz Republic, Tajikistan, Ukraine, and Uzbekistan, intra-FSU arrears rose from US$0.3 billion at end-1992 to nearly US$3 billion in 1994--with most of this owed by Ukraine. However, no arrears were reported for Armenia, Belarus, and Moldova, despite their debts to Russia and Turkmenistan--the only net creditors to the other FSU countries. Available data also exclude inter-enterprise arrears that have not been converted into inter-state debt (Appendix II, Box 7).

4. Debt reschedulings and cancellations

a. Non-FSU creditors

There have been few rescheduling agreements between non-FSU creditors and the Baltic countries, Russia, and the other FSU countries. The Baltic countries have not rescheduled any of their debts. Russia rescheduled its debt service owed to the Group of Participating Official Creditor Countries in 1993, 1994, and in 1995. 3/ In December 1991, Russia and its commercial bank creditors agreed on a deferral of certain principal payments, with subsequent quarterly rollovers. Significant progress has

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1/ Excludes arrears on trade payments not yet converted into debt.

2/ Arrears to Paris Club official creditors were eliminated under the June 1995 rescheduling agreement (see Chapter V).

3/ For details of the 1993 and 1994 rescheduling agreements, see page 14, SM/93/194 (8/23/93), and page 11, SM/94/237 (9/1/94). The June 1995 rescheduling agreement with the Group of Official Creditor Countries is described in Chapter V and is summarized in Appendix IV, Table 13.

Appendix II, Box 7. Inter-enterprise Arrears Between Russia and Other FSU Countries

Statistics on inter-enterprise arrears between FSU countries are very poor, making any analysis difficult. In trying to deal with such arrears, some states have resorted to (i) converting the arrears into inter-state debt; (ii) debt-equity swaps; (iii) repayments in kind; or (iv) a combination of these approaches.

The conversion of inter-enterprise arrears to inter-state debt has been applied with respect to Armenia's arrears to Russia (April 1995), Georgia's arrears on gas imports from Turkmenistan (end-1993 and early 1995), and Ukraine's arrears to Russia on official debt and inter-enterprise gas arrears (early 1995).

A debt-equity swap agreement was reached between Moldova and Russia, and discussions are under way with respect to Moldova's arrears on gas payments. The February 1995 agreement between Russia and Ukraine also included provisions for some debt-equity swaps. Discussions between Russia and Belarus on a possible debt-equity swap are continuing.

Repayments in kind have been agreed between Ukraine and Russia, Georgia and Turkmenistan, and Turkmenistan and Ukraine. Under Georgia's end-1993 agreement with Turkmenistan, Georgia was to settle part of its debt through shipments of goods in the first half of 1994. However, these amounts became payable in cash (U.S. dollar) thereafter.

been made since then, and the Russian authorities expect to reach agreement on a term sheet with commercial bank creditors by the end of 1995. 1/

As for the other FSU countries, Georgia reached agreement in early 1993 with Austria to reschedule debt service falling due in 1993-94 (5-year maturity, no grace period, and a market interest rate). 2/ The Kyrgyz Republic reached agreement with Turkey in March 1995 for a deferral by one year of debt service falling due between March 1995 and February 1996.

1/ Russia has also reached agreements with a number of official creditors, namely former CMEA trade partners, on the settlement of bilateral debts; the agreements reached with Hungary in 1994 and 1995 provided for the settlement of Russian debt of US$1.7 billion mainly through the delivery of goods, including aircraft and military equipment.

2/ In June 1995, certain creditors of Georgia (Armenia, Austria, Azerbaijan, China, the Islamic Republic of Iran, Kazakhstan, Russia, and Turkey) agreed to enter into, or to continue, bilateral discussions with Georgia to reschedule all of Georgia's overdue obligations and debt service falling due during the program period of the proposed stand-by arrangement. The terms of the rescheduling agreements were to be consistent with a total debt-service payment of US$8 million per quarter during the program period.

b. FSU creditors

With respect to restructuring of intra-FSU debts, several formal rescheduling agreements and debt-service deferrals have been agreed (Appendix II, Box 8). In general, the restructuring agreements featured a market-determined interest rate, and a medium-term maturity period including a relatively short grace period. In some other cases, although there was no formal rescheduling, the creditor country (such as Russia) did not press the debtor (such as Belarus) to make payments, sometimes pending discussions of debt-equity swaps, often involving energy distribution and storage facilities.

Appendix II, Box 8. Intra-FSU Rescheduling Agreements and Debt Service Deferrals

Various rescheduling agreements of official debt have been concluded. An agreement in December 1993 between Georgia and Turkmenistan involved a consolidation of Georgia's debt recognized under previous agreements; the rescheduling covered the entire stock of debt, including arrears, with interest set at LIBOR plus 1 percent, a maturity of two years and no grace period. A preliminary agreement of February 1995 to convert new gas payments arrears into bilateral debt included an interest rate of LIBOR plus 1 percent, 7 years maturity and a 2-year grace period. Georgia has recently requested a rescheduling of its debt to Turkmenistan (and other creditors) more in line with its debt-servicing capacity in the context of its stand-by arrangement.

In November 1994, Ukraine and Turkmenistan reached agreement to reschedule debt-service obligations to Turkmenistan falling due in 1994 (including arrears), at an interest rate of LIBOR plus 1 percent and 7 years maturity including 2 years of grace. Other rescheduling agreements were reached between Russia and Azerbaijan, Moldova, Tajikistan, and Ukraine; and between Kazakhstan and Tajikistan.

The Russian Federation agreed to deferrals on principal payments due on correspondent account debts with Moldova, and with Kazakhstan on interest payments due over the period 1993-94; the latter were to be paid during 1995.[1] Uzbekistan also agreed to defer interest due from Tajikistan in 1993-94 to the first quarter of 1995. In the event, Tajikistan was unable to pay this amount and has requested another rescheduling. Russia and Turkmenistan agreed to a standstill on debt-service payments for Georgia before Georgia's first purchase under the STF.

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[1] Discussions are underway between Russia and Kazakhstan to cancel or reschedule US$1.4 billion owed by Kazakhstan mainly from the conversion of correspondent account balances; the discussions also involve the leasing of the Baikonur space center by Russia.

5. Debt monitoring and control

Prior to the break-up of the U.S.S.R., all information on external debt was collected through VneshekonomBank (VEB). Immediately following the break-up of the U.S.S.R., debt monitoring and control (including data collection and centralization, and scenario analysis) in most of the countries of the region was extremely weak, with the exception of the Baltic countries, where debt monitoring and control was centralized at an early stage with technical assistance from the World Bank and the IMF.

In Estonia, all official external borrowing has to be ratified by Parliament, and, since 1992, external borrowing has been channelled through the Ministry of Finance, which is also charged with monitoring external assistance. Effective May 1, 1995, a new law requires parliamentary approval prior to the signing of loan documents, and sets annual limits on total official foreign borrowing. In Latvia and Lithuania, external debt-monitoring units were set up in the ministries of finance to monitor developments in external debt. Latvia's annual budget also establishes yearly limits on the permissible level of external public debt, and any contracting or guaranteeing of foreign loans by the Government has to be approved by the Ministry of Finance.

In Russia, although the VEB continued to be the primary debt manager of the Russian Federation, the quality and completeness of debt information suffered after end-1991 since other agencies (including especially the Ministry of Foreign Economic Relations) could by-pass the VEB and engage in external debt operations. Debt management in Russia began to improve when, in mid-1993, the VEB ceased its commercial banking operations, thereby reducing its role exclusively to that of debt manager for the Government, reporting through the Ministry of Finance. In mid-1994, a comprehensive debt registry was set up with the assistance of foreign advisors in order to provide monthly information on commitments and disbursements of government and government-guaranteed loans. 1/

With regard to the other FSU countries, at the time of independence, most did not have functioning debt-monitoring and management systems. In many countries, the lack of information and control over the contracting and guaranteeing of debt facilitated the rapid build-up of external debt (Georgia, Tajikistan, Turkmenistan, and Ukraine). In other countries, despite relatively small debt-service payments falling due, arrears accumulated because of a lack of effective debt-management systems (such as Kazakhstan). However, attempts have been made to strengthen debt management and control, and a number of countries, including Belarus (which set up a debt-monitoring unit in late 1994 and introduced strict procedures for contracting new debt) and the Kyrgyz Republic (see Appendix II, Box 9), have made progress.

1/ By end-March 1995, the debt-monitoring system in Russia could provide monthly information on disbursements and debt-service payments falling due.

Appendix II, Box 9. Improving Debt Management

Attempts to improve and strengthen debt-monitoring and control systems have focussed mainly on making the ministry of finance the key institution responsible for external debt management. Accordingly, in many states (Azerbaijan, Belarus, Georgia, Kazakhstan, Moldova, Tajikistan, Ukraine, and Uzbekistan) efforts have focussed on the establishment of a debt-monitoring unit at the ministry of finance, and making the ministry the primary external debt manager and controller for the government.

These efforts have included technical assistance from the World Bank and other donors on debt-management techniques and in computerizing external debt operations. In addition, some IMF-supported adjustment programs (Azerbaijan, Georgia, Kazakhstan, and Ukraine) have included the setting-up of a debt-monitoring unit at the Ministry of Finance either as a prior-action, or as a structural measure to be implemented during the program.

Despite efforts to date--some of which are described below--much remains to be done in this area, particularly in Tajikistan, where debt monitoring is still at a rudimentary stage, in Ukraine where many quasi-governmental organizations have significant freedom to by-pass the Ministry of Finance, and in Kazakhstan where responsibility for debt management is dispersed among several institutions.

The Kyrgyz Republic has one of the more effective debt-management systems in place. The Ministry of Finance is in charge of debt monitoring in coordination with the Central Bank and Goskominvest, an agency in charge of mobilizing external financing. All contracting of external debt requires approval by the Ministry of Finance, and other ministries or state enterprises cannot obtain government guarantees for borrowing abroad without approval of the Ministry of Finance.

Until recently, there was no central control in Georgia over the contracting of new debt or the rescheduling of existing debt. The Ministry of Energy played a prominent role in negotiations over current gas supplies (with government guarantees) and debt with Turkmenistan. Official credits have been negotiated by different branches of the Government including the Ministry of Finance, the National Bank of Georgia and the State Committee for Foreign Economic Relations. A decree signed in May 1995 established a Debt Commission, which is charged with contracting and guaranteeing external debt, as well as conducting all negotiations with foreign creditors. The Ministry of Finance is responsible for debt monitoring.

In Kazakhstan, although the Ministry of Finance is formally responsible for debt management, the institutional responsibility for external debt monitoring is de facto dispersed mainly among the Ministry of Finance, Ministry of Economy, and the Eximbank (formerly Alem Bank). The Ministry of Finance is responsible for payments on government and government-guaranteed debt, and since early 1994, for recording all transactions related to external debt. However, notwithstanding these responsibilities, the Ministry does not yet have the authority to obtain loan records of previously contracted debts which currently reside with the Eximbank. The lack of direct access to loan records has made it difficult for the Ministry of Finance to project accurately the scheduled debt-service obligations and pay on a timely basis.

A particular problem which arose in some countries (Georgia, Kazakhstan, Latvia, Tajikistan, and Ukraine) was the widespread issuance of loan guarantees for public enterprises, often by former branch ministries without central approval (Appendix II, Box 10). These guarantees, when called, have already had a negative impact on the financial position of governments. Another problem was the highly dubious financing schemes that were offered to inexperienced officials in many of these countries. 1/ This has reinforced the urgency of strengthening debt management in the region.

Appendix II, Box 10. Government Loan Guarantees for Public Enterprises

Some countries have issued large amounts of government guarantees on foreign borrowing by state enterprises since 1993. In Latvia, loan guarantees for public enterprises reached US$70 million by end-1994, including US$38 million for a single enterprise. Kazakhstan also issued loan guarantees for public enterprises of US$3.5-4.0 billion.

In many countries, the shocks related to the transition from centrally planned to market-oriented economies and the slow pace of enterprise reform have reduced the ability of enterprises to make debt-service payments on a timely basis. This has often meant that guarantees are called in, and that governments have to devote scarce budgetary resources to meet these obligations in order to avoid accumulating arrears and to maintain orderly relations with their creditors. For example, when a large agricultural enterprise in Latvia became insolvent in 1994, the Government had to assume external obligations amounting to US$38 million. Similarly, the Kazakh Government had to take over debt service equivalent to 0.6 percent of GDP in 1994 on called government guarantees.

In order to reduce this source of risk to the budget, some countries have resorted to canceling guarantees on undisbursed credits. During 1994, the Kazakh Government canceled US$2.8 billion in credits that had not been disbursed, thereby reducing the stock of such guarantees to US$1-1.5 billion. In addition, in September 1994, it imposed a moratorium on extending new government guarantees. The Government intends to maintain the moratorium until it is confident that the borrowing enterprises are operating with sufficient financial discipline to repay the loans and the budget is in a position to meet any obligations that may fall due as a result of such borrowing. The Kazakh government is also contesting the legality of some of these guarantees, on the basis that the signatures were either forged or signed by unauthorized persons in the early days after independence.

1/ In Georgia, the authorities issued a declaration--accompanied by a letter to central banks in major industrial countries--indicating that guarantees and promissory notes were issued under false pretenses. All such instruments have effectively been recalled.

II. Russian Federation Claims on Developing Countries

This chapter presents an overview of Russia's claims on developing countries, in particular on the heavily indebted poor countries, 1/ based on information provided by creditor and debtor countries. It describes the size and nature of the claims (both from the creditor and debtor perspective, Section 1), debt-servicing arrangements (Section 2), and debt-restructuring agreements concluded and under negotiation (Section 3). Section 4 focuses on the importance of Russia as a creditor vis-à-vis heavily indebted poor countries. The main findings are:

- According to the Russian valuation, Russian claims on developing countries inherited from the FSU are large in absolute terms (US$173 billion at end-1993). Among these, claims on debtor countries reporting to the World Bank's Debtor Reporting System (DRS) amounted to US$114 billion or over one tenth of these countries' total debt.

- About two-thirds of the heavily indebted poor countries are indebted to Russia, and on the creditor country valuation basis, Russia's claims account for around one quarter of their total debt.

- Many of Russia' claims are disputed by debtors in terms of coverage as well as in terms of valuation.

- Due to these disputes, and also reflecting difficult economic conditions in some debtor countries, only small payments have been made on this debt during the last five years.

- Russia has offered, and in some cases granted, sizable debt relief to many countries in the last few years. There has also been a substantial accumulation of arrears.

1. Data sources and description of the claims

According to the Russian authorities, the Russian Federation acquired all external claims of the U.S.S.R. as a result of the "Zero Option" Agreement. 2/ These agreements covered all pre-1991 claims, whether commercial or state credits. For subsequent credits, claims resided with the provider of the funds--state credits with the government and commercial credits generally with the enterprise concerned.

The financial terms of state and commercial credits varied from country to country depending on political relations, payments capacity, and the nature of the loans. State credits, though with variations across recipient countries, were in general long term and at interest rates of 5 percent or

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1/ For the list of heavily indebted poor countries on which the Russian Federation reported claims see footnote 1 in Appendix II, Table 11.

2/ See Appendix II, Chapter I.

less; they financed the purchase of goods, such as power plants and military equipment, and the provision of technical assistance. Commercial credits were of a shorter maturity and with interest rates of about 7 percent, and financed the purchase of goods such as oil. Commercial credits were signed by foreign trade companies, provided from central funds and approved by the government. The recipients were large state-owned companies or banks, with guarantees provided by their country's central bank or central government.

Preliminary information provided by the Russian authorities includes claims resulting from loan agreements, and outstanding assets and liabilities held in clearing accounts of bilateral trade and credit arrangements as of December 31, 1993. These figures include state claims, accounting for 85 percent of total Russian claims, resulting from bilateral trade and credit agreements. Though preliminary, the information on state claims is believed to be more accurate and complete than that on commercial credits. 1/

According to the Russian authorities, Russia's official claims on all developing countries stood at US$173 billion at end-1993, including US$59 billion owed by countries which do not report to the DRS (Appendix II, Table 10). 2/3/ Some 80 percent of total claims are ruble-denominated. For 49 developing countries with debt to Russia that report to the DRS, debt to Russia at US$114 billion accounted for 14 percent of their total external debt, and about one third of their bilateral debt.

According to data provided by debtor countries, their U.S.S.R. ruble-denominated debt to Russia stood at Rub 43 billion at end-1993, and their convertible-currency-denominated debt at US$24.5 billion. Valuing the ruble-denominated claims at Rub 0.5854 per US$1 (the official ruble exchange rate as of end-1993), the debt to Russia of the developing countries that report to the DRS would amount to US$91 billion, or 25 percent of their debt to official creditors (Appendix II, Table 10). It should be noted that many debtor countries disagree with this valuation method and the exchange rate used (Appendix II, Box 11). The differences between debtor data and the data provided by Russia reflect largely these disputes and the broader country coverage of Russian data.

1/ The information provided includes claims denominated in convertible and in non-convertible currencies. No information was provided as to the original currency of the claims. Assets and liabilities held in clearing accounts were denominated in non-convertible currencies.
2/ State claims amounted to US$149 billion, including ruble-denominated claims valued at US$123 billion (Rub 72.3 billion).
3/ Cuba and North Korea account for US$42 billion of the debt to Russia by the non-DRS countries.

Table 10. Russian Federation Claims on Developing Countries as of end-1993

	Total external debt 1/	Of which: Bilateral 1/2/	Total Russian claim derived from: 3/ Creditor data 4/	Debtor data 5/	Difference	Of which: Ruble-Denominated 3/ Creditor data 6/	Debtor data	Difference
			(In billions of U.S. dollars)					
Total	...	...	173.0	98.0	75.0	137.8	73.4	64.4
Countries Reporting to the DRS	821.8	368.6	113.8	90.5	23.4	87.3	66.4	20.9
Asia	355.7	144.8	60.3	46.8	13.5	58.4	36.6	21.8
Europe	145.9	50.7	9.2	10.7	-1.5	9.2	7.9	1.3
North Africa/ Middle East	166.6	89.2	26.6	12.9	13.6	18.4	12.7	5.7
Sub-Saharan Africa	122.4	65.4	14.7	15.7	-1.0	1.2	8.2	-7.0
Latin America	31.2	18.5	3.1	4.3	-1.3	--	1.0	-1.0
Others 7/	--	--	59.1	7.5	51.6	50.6	7.0	43.5

	Russian claims as a share of 3/ Creditor data: Total debt	Creditor data: Bilateral debt	Debtor data: Total debt	Debtor data: Bilateral debt	Ruble-Denominated Creditor data	Debtor data	Difference
Memorandum Items:	(In percent)				(In billions of rubles)		
Total	...	...	...	...	80.7	43.0	37.7
Countries reporting to the DRS	13.9	30.9	11.0	24.5	51.1	38.8	12.3
Asia	17.0	41.7	13.2	32.3	34.2	21.4	12.8
Europe	6.3	18.2	7.4	21.2	5.4	4.6	0.8
North Africa/ Middle East	15.9	29.8	7.7	14.5	10.8	7.4	3.4
Sub-Saharan Africa	12.0	22.5	12.8	24.0	0.7	4.8	-4.1
Latin America	9.8	16.6	13.8	23.4	–	0.6	-0.6
Others 7/	...	...	...	...	29.6	4.1	25.5

Sources: World Bank Debt Tables 1994-95; data provided by authorities; and IMF staff estimates.

1/ Russia's claims included in the World Bank's Debt Tables are incomplete and have been replaced with the amounts reported by the creditor.

2/ *Include Russia's claims as amended according to footnote 1, and valued as noted in footnote 3.*

3/ Ruble-denominated claims were converted into U.S. dollars using the official exchange rate of the ruble prevailing as of end-1993, Rub 0.5854 = US$1, for both the creditor's and most of the debtors' reports. Some debtors used a somewhat different exchange rate covering claims for Rub 7.7 billion, (with an implied weighted average rate of Rub 0.5813 = US$1). Many debtor countries disagree with the valuation method and the exchange rate used to value their debt to Russia.

4/ The creditor data include claims on countries for which the IMF does not have information regarding their debt to Russia. These claims amount to US$6.3 billion in North Africa/Middle East, and US$0.5 billion in Sub-Saharan Africa

5/ *Most debtors report outstanding stocks as of end-1993, while few others do for different months in 1994 and 1995.*

6/ The creditor data include ruble-denominated claims on countries for which the IMF staff does not have information regarding their debt to Russia. These claims amount to US$0.5 million in Sub-Saharan Africa.

7/ Countries that do not report to the World Bank Debtor Reporting System (DRS) include Afghanistan, Cuba, Iraq, Libya, and North Korea.

Appendix II, Box 11. Valuation of U.S.S.R. Ruble-Denominated Claims

The agreements entered into by the FSU and its debtors, in general, included provisions for the conversion into freely convertible currencies of the debt-service payments on U.S.S.R. ruble-denominated claims. The conversion was to be effected using the U.S.S.R. Gosbank official ruble exchange rate, which was calculated based on the value of a currency basket. This rate is currently fixed by the Central Bank of Russia on a monthly basis, using the same calculation method.

In this chapter, U.S.S.R. ruble-denominated claims were converted into U.S. dollars at the official exchange rate as of end-1993 of Rub 0.5854/US$1, for the claims reported by Russia and for most of the debtors. A few debtor countries reported U.S.S.R. ruble-denominated claims with a valuation that, on a weighted average basis, is slightly different from this. The ruble-denominated debt of these few countries was valued using the rate each of them reported.

Many debtor countries disagree with this particular valuation method and the exchange rate used. Some of these debtors favor a valuation method that takes into account recent developments in the ruble foreign exchange market, both for calculating the value of the outstanding claims and debt service.

The valuation method used here does not constitute an endorsement by the Fund staff of the appropriateness or validity of this particular valuation method or the exchange rate used, as the appropriate valuation is a matter to be resolved bilaterally between the Russian Federation and its debtor countries.

2. Debt-servicing arrangements and payments record

The original credit agreements generally provided for the debtor country to service its debt with exports of goods and, in some more recent agreements, in convertible currencies, including in cases where the underlying claim was denominated in U.S.S.R. rubles. In the latter case, if the claim was to be serviced in a freely convertible currency (or basket of currencies), its value was to be determined based on the corresponding exchange rate of the State Bank of the U.S.S.R. (the Gosbank). 1/ Usually, an indicative list of goods to be delivered was included in the bilateral trade agreement, and individual contracts were negotiated between Soviet foreign trade organizations (later Russian enterprises) and state as well as private enterprises in the debtor country. The Russian enterprises would import these goods for sale in the Russian market or for re-export to third countries. Prices of the goods, although often notional, were generally quoted in a freely convertible currency.

1/ Currently the Central Bank of Russia quotes on a monthly basis the Gosbank ruble exchange rate.

The information provided by debtors on debt-service payments to the FSU/Russia in the last five years is scarce. Payments seem to have been very limited relative to the amounts due. For example, for debtor countries which reported payments in 1994, these amounted to US$1.3 billion, or less than 30 percent of the debt service due (according to Russian figures). These payment figures are broadly consistent with those reported by Russia. 1/ While this in part reflects the non-payment of debt service on debts under dispute, it also reflects limited payments capacities in some debtor countries.

3. Debt-restructuring agreements

In light of the very limited debt-service receipts over the previous decade, the FSU/Russia sought to secure some repayments on its claims by entering into debt-rescheduling agreements with its debtors. These agreements did not provide for debt forgiveness, but in general, allowed the debtor to make payments in kind, with shortfalls in the value of goods exported relative to the amounts of debt service falling due to be paid in convertible currencies. When the underlying claims were denominated in U.S.S.R. rubles, the agreements generally provided for the use of the Gosbank exchange rate to value the obligations in a convertible currency. In line with central planning practice, most agreements specified the volumes of, but not the prices for, the goods to be delivered, leaving the details of the export contracts to be negotiated by trade organizations. In general these agreements were only partially, if at all, implemented.

More recently, Russia has been negotiating debt-rescheduling agreements with countries with very limited payments capacities that include a menu of options for servicing the debt and often involve sizeable debt reduction. 2/ Regarding the valuation of ruble-denominated claims, the Russian Federation's position in the debt restructuring agreements concluded and in the ongoing negotiations has been, and remains, that the appropriate exchange rate to value these claims is the U.S.S.R. Gosbank ruble exchange rate, currently reported by the Central Bank of Russia. In contrast, many debtors have argued that the U.S. dollar value of these claims should reflect more recent developments in the ruble foreign exchange market.

In a typical debt-rescheduling agreement, the parties agree annually to the portion of debt service falling due that is to be serviced in hard currencies, with exports of goods, and in local currency; the latter is often used to cover expenses of Russian organizations and to finance

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1/ Russia reported receiving payments of only US$0.5 billion in 1994, but this does not take into account debt service paid by India into Russia's rupee account but not drawn down.

2/ In some cases, Russia has offered a debt reduction of 80-90 percent of the contractual value of the claim against cash payment of the remaining 10-20 percent of the claim. However, the repayment of the remaining claim was to be effected over a relative short period of time, which has sometimes exceeded the payments capacity of the debtor concerned.

investments by Russian-owned companies located in the debtor country. A number of rescheduling agreements between Russia and developing countries are described in Appendix II, Box 12.

Appendix II, Box 12. Debt-Rescheduling Agreements

In 1990, Bolivia and the VneshekonomBank, acting on behalf of Soviet enterprises, concluded a debt-buy-back agreement involving debt of US$9 million. The repurchase was effected at a substantial discount in 1991.

Under a comprehensive agreement reached with Jordan in 1992, Jordan bought back at a discount (in cash and kind) debt with a face value of US$614 million.

Early in 1993, India concluded a comprehensive debt-rescheduling agreement with Russia, providing for a nonconcessional rescheduling of a large portion of India's debt to the FSU, while the rest was rescheduled on highly concessional terms with an even stream of payments over a 45-year period.

Late in 1994, Bulgaria and Russia initialed a protocol providing for the cancellation of outstanding mutual claims, and, according to the Bulgarian authorities, the remaining creditor balance will be settled in kind by Russia.

Also late in 1994, Egypt and Russia concluded a debt-restructuring agreement that terminated an old bilateral payments agreement. According to the Egyptian authorities, Egypt's outstanding creditor balance will be used to service its debt to Russia as debt service falls due.

In February 1995, Poland and Russia concluded a comprehensive mutual debt-cancellation agreement covering bilateral loans and trade credits. According to the Polish authorities, Poland's small creditor balance will be settled in cash by Russia during 1995.

With some countries (Viet Nam, Lao P.D.R., Mongolia) Russia has not concluded formal debt-rescheduling agreements, but while negotiations continue, informal agreements provide for the debtors to make partial payments in kind. On an annual basis, the parties agree on the amounts of goods to be shipped and their value in U.S.S.R. rubles.

4. Russian claims on heavily indebted poor countries

The Russian authorities reported total claims on 26 heavily indebted poor countries at US$42 billion as of end-1993, including U.S.S.R. ruble-denominated claims of Rub 14 billion, valued at US$24 billion (Appendix II, Table 11). Russia is the most important bilateral creditor for this group of countries, accounting for about one-quarter of their total external debt and slightly less than two-fifths of their bilateral debt. The debtors reported outstanding U.S.S.R. ruble-denominated debt of Rub 18.4 billion and US$11 billion in convertible-currency denominated debt. Valuing the U.S.S.R. ruble-denominated claims at Rub 0.5854 per US$1, these are broadly consistent with those reported by Russia.

Table 11. External Debt of 26 Heavily Indebted Poor Countries with Debt to Russia, 1993 1/

	Total external debt 4/5/	Of which: Bilateral 3/5/	Debt to Russia derived from 2/		Debt to Russia in relation to			
					Total debt		Bilateral debt	
			Creditor 6/ data	Debtor 7/ data	Creditor data	Debtor data	Creditor data	Debtor data
	(In billions of U.S. dollars; unless otherwise noted)				(In percent)			
Total	185.7	118.7	42.2	42.2	22.7	22.7	35.5	35.6
of which: Ruble debt 8/	...	...	13.8	18.4	12.7	17.0	19.9	26.5
I. By status of negotiations with Russia 9/								
Continuing 10/	111.8	82.6	37.7	36.0	33.7	32.2	45.6	43.6
of which: Ruble debt 8/	...	...	13.5	18.1	20.6	27.7	27.9	37.5
No negotiations	65.9	32.5	4.0	6.2	6.0	9.4	12.2	19.2
of which: Ruble debt 8/	...	...	--	0.3	--	0.8	--	1.7
No response 11/	8.0	3.6	0.5	--	6.5	--	13.9	--
of which: Ruble debt 8/	...	...	0.3	--	6.2	--	13.9	--
II. By status of relations with Paris Club creditors								
With agreements 12/	173.2	110.9	34.6	34.6	20.0	20.0	31.2	31.2
of which: Ruble debt 8/	...	...	11.2	14.0	11.0	13.8	17.2	21.5
Middle-income terms	8.8	15.3	4.4	5.1	15.2	17.8	28.6	33.4
of which: Ruble debt 8/	...	...	0.3	0.3	1.7	1.9	3.2	3.6
Concessional terms	107.8	77.7	29.8	28.0	27.6	26.0	38.3	36.0
of which: Ruble debt 8/	...	...	10.8	13.4	17.0	21.3	23.6	29.5
Lower middle-income terms	36.6	17.8	0.4	1.4	1.2	4.0	2.5	8.1
of which: Ruble debt 8/	...	...	0.1	0.2	0.6	1.0	1.3	2.0
Without agreements	12.5	7.8	7.6	7.6	60.7	61.2	96.9	97.8
of which: Ruble debt 8/	...	...	2.6	4.4	35.8	61.2	57.2	97.8

Sources: Dated provided by the authorities; World Bank Debt Tables 1994-95; and IMF staff estimates.

1/ Debtor countries included are: Angola, Benin, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Ethiopia, Guinea, Guinea-Bissau, Lao P.D.R., Madagascar, Mali, Mozambique, Nicaragua, Nigeria, São Tomé and Príncipe, Senegal, Somalia, Sudan, Tanzania, Viet Nam, Yemen, and Zambia.

2/ Creditor report on stocks as of end-1993; likewise for debtor reports, except for Cameroon (stock as of end-February 1995), Central African Republic and Ethiopia (stock as of end-1994). For the debt included see the description in the text.

3/ Russia's claims included in the World Bank's Debt Tables are incomplete and have been replaced with the amounts reported by the creditor.

4/ The stock of debt reported for end-1993. The figures for official bilateral debt include the estimates for interest arrears on medium- and long-term debt to official creditors.

5/ Includes Russia's claims as amended according to footnote 3, and valued as noted in footnote 6.

6/ U.S.S.R. ruble-denominated claims valued at the official exchange rate for valuta rubles of Rub 0 5854/US$1 (official exchange rate of the ruble as of end-1993).

7/ U.S S.R. ruble-denominated claims valued as in footnote 6, except for Rub 4.4 billion valued at Rub 0.58 per U.S. dollar, which is the weighted average of Rub/U.S. dollar exchange rates explicitly reported by some debtor countries' authorities. Many debtor countries do not agree with the valuation method or the value of ruble exchange rate used to value their debt to Russia.

8/ Ruble-denominated debt; in millions of rubles.

9/ Based on information provided by debtor countries.

10/ Contacts between the parties range from initial overtures to negotiate, through exchanges of concrete proposals, to quasi-formal arrangements to service the debt.

11/ These include countries where the staff has no information from the authorities.

12/ Includes all countries which currently have or in the past had debt rescheduling agreements with Paris Club creditors. For countries with multiple agreements on different terms, the country is included in the group corresponding to the most recent agreement.

Actual debt-service payments to Russia by these countries have been very limited, amounting to US$123 million in 1994, or less than 3 percent of the debt service due (according to Russian figures).

According to debtor sources, negotiations are underway covering US$38 billion of Russian claims on these heavily indebted poor countries (or 90 percent of these countries' debt to Russia); these have often been lengthy. These negotiations cover about half of the official bilateral debt of the 15 debtor countries involved. For the seven debtor countries which report no contacts with Russia, Russian claims accounted for 12-19 percent (depending on the source of information) of their bilateral debt; 1/ this group includes two countries that have been engulfed in civil conflict.

As of July 1995, nine heavily indebted poor countries with debts to Russia had current debt-rescheduling agreements with the Paris Club. 2/ Twelve other heavily indebted poor countries with debts to Russia have had rescheduling agreements with Paris Club creditors in the past. Taking these countries together, Russian claims that would be subject to the requirement of comparable treatment of creditors 3/ amounted to US$35 billion in 1993, or more than 80 percent of Russian claims on the heavily indebted poor countries. These Russian claims accounted for about 30 percent of the bilateral debt of these countries. Comparability of treatment of creditors would call for most of these claims to be rescheduled on highly concessional terms. The resulting debt-service payments would also need to be consistent with the country's payments capacity, especially where Russia is a large creditor of the country concerned.

1/ These are Angola, Cameroon, Central African Republic, Chad, Nigeria, São Tomé and Príncipe, and Sudan. Only one of the seven countries currently has a Fund-supported program. Russia's claims on this country account for 0.1 percent of its bilateral debt.
2/ These are Benin, Burkina Faso, Equatorial Guinea, Ethiopia, Guinea, Guinea-Bissau, Mali, Nicaragua, and Senegal.
3/ As a standard clause of debt-rescheduling agreements with Paris Club creditors, the debtor country agrees to seek comparable debt rescheduling terms from other bilateral and private creditors.

Table 1. Naples Terms: Options and Choices of Options Made by Creditors 1/2/

	DR Option 3/	DSR Option 4/	CMI Option 5/	LM Option
1. Consolidation of non-ODA debts				
Overall maturity	23	33	33	40
Grace period	6	--	8	20
Reduction in net present value	67	67	67	--
Interest rate	Market rate	6/	7/	Market rate
2. Consolidation of ODA debts				
Overall maturity	40	40	40	40
Grace period	16	16	16	20
Reduction in net present value	--	--	--	--
Interest rate	8/	8/	8/	8/
3. Choices of options made by creditors				
	Canada	Austria		United States 9/
	France	Belgium		Italy 10/
	Germany	Denmark		
	Netherlands	Italy 10/		
	Norway	Japan		
	Sweden	Norway		
	United Kingdom	Portugal		
	United States 9/	Spain		
		Switzerland		
		United Kingdom		

Source: Agreed Minutes of debt reschedulings.

1/ The table lists the choices of options made by creditors at the time of the signature of the Agreed Minute in reschedulings in the period January-July 1995.

2/ For a 50 percent NPV reduction, terms are equal to London terms (see Table 15), except for the debt-service reduction option under a stock-of-debt operation which includes a three-year grace period.

3/ Debt reduction: cancellation of 67 percent of amounts consolidated.

4/ Debt service reduction: rescheduling of the amount consolidated at lower interest rates so as to reduce the present value by 67 percent.

5/ Capitalization of moratorium interest: debt service reduction with partial capitalization of moratorium interest so as to reduce the present value by 67 percent.

6/ *Reduced interest rate consistent with a 67 percent reduction in the net present value of consolidated debt.*

7/ Reduced interest rate that yields a 67 percent reduction in the net present value of consolidated debt. This rate is higher than the interest rate in the DSR option as 50 percent of moratorium interest is also capitalized in the first 5 years. Capitalized moratorium interest is to be repaid over 33 years following a grace period of 8 years; no interest is charged on the capitalized amounts.

8/ Interest rates at least as favorable as the concessional rates applying to these loans.

9/ The United States chose the long maturities option in reschedulings for Bolivia and Nicaragua.

10/ Italy joined the U.S. in choosing the long maturities option in the rescheduling for Nicaragua.

Table 2. Reschedulings of Official Bilateral Debt, 1976-July 1995 1/

(Overview)

Debtor Countries 1/		Date of Agreement Mo./Day/Yr.	Amount Consolidated 3/ (In millions of U.S. dollars)	Type of Debt Consolidated 4/ Non-previously rescheduled	Previously rescheduled	Consolidation Period (Months)	Proportion of due Payments Rescheduled 5/6/ (In percent) Pri.	Int.	Terms 5/7/ Grace (In years)	Maturity
Algeria 8/9/	I	06/01/94	5,345	PIA	--	12	100	100	3.0	14.5
Algeria 9/10/	II	07/21/95	7,000	PI	--	36	100	100	1.5	13.5
Angola	I	07/20/89	446	PIA	Partial PIAL	15	100	100	6.0	9.5
Argentina	I	01/16/85	2,040	PIA	--	12	90	90	5.0	9.5
Argentina	II	05/20/87	1,260	PIA	--	14	100	100	4.9	9.5
Argentina	III	12/21/89	2,450	PIA	P,Partial IA	15	100	100	5.8	9.3
Argentina	IV	09/19/91	1,476	PIA	PIA	9	100	100	6.2	9.7
Argentina 9/	V	07/22/92	2,701	PI	PI	29	100	100	1.1	13.6
Benin	I	06/22/89	193	PIAL	PIAL	13	100	100	7.9*	24.4*
Benin	II	12/18/91	129	PIAL	IAL	19	100	100	6.0**	22.5**
Benin	III	06/21/93	25	PI	Partial I	29	100	100	5.3**	21.8**
Bolivia	I	06/25/86	449	PIA	--	12	100	100	5.0	9.5
Bolivia	II	11/14/88	226	PIAL	PIAL	15	100	100	5.9	9.3
Bolivia	III	03/15/90	300	PI	PI	24	100	100	7.5*	24.0*
Bolivia 11/	IV	01/24/92	65	PI	PI	29	100	100	6.0**	22.5**
Bolivia	V	03/24/95	482	PIAL	Partial PIAL	36	100	100	5.0***	31.5***
Brazil	I	11/23/83	2,337	PIA	--	17	85	85	4.0	7.5
Brazil 12/	II	01/21/87	4,178	PIL	--	30	100	100	3.0	5.5
Brazil	III	07/28/88	4,992	PI	Partial Ap	20	100	70	5.0	9.5
Brazil 9/	IV	02/26/92	10,500	PIA	Partial PIA	20	100	100	1.8	13.3
Bulgaria	I	04/17/91	640	PIAL	A	12	100	100	6.5	10.0
Bulgaria	II	12/14/92	251	PIA	--	5	100	100	6.3	9.8
Bulgaria	III	04/13/94	200	PIAL	--	13	100	100	5.9	9.4
Burkina Faso	I	03/15/91	63	PIAL	--	15	100	100	7.9*	24.4*
Burkina Faso	II	05/07/93	36	PIAL	--	33	100	100	5.1**	21.6**
Cambodia 13/	I	01/26/95	249	PIAL	PIAL	30	100	100	5.3***	21.8***
Cameroon	I	05/24/89	535	PIA	--	12	100	85	6.0	9.5
Cameroon	II	01/23/92	1,080	PIA	I	9	100	100	8.2	14.6
Cameroon 14/	III	03/25/94	1,259	PIAL	PIAL	18	100	100	5.8**	22.3**
Chad 13/	I	10/24/89	38	PIAL	--	15	100	100	8.0*	24.5*
Chad 13/	II	02/28/95	24	PIAL	PIAL	12	100	100	6.0***	32.5***
Chile	I	07/17/85	146	P	--	18	65	--	2.8	6.3
Chile	II	04/02/87	157	P	--	21	85	--	2.6	6.1
Congo	I	07/18/86	756	PIA	--	20	95	95	3.7	9.1
Congo	II	09/13/90	1,052	PIAL	PIAL	21	100	100	5.8	14.3
Congo	III	06/30/94	1,175	PIAL	PIAL	11	100	100	8.1	14.6

Table 2 (continued). Reschedulings of Official Bilateral Debt, 1976-July 1995 1/

(Overview)

Debtor Countries 1/		Date of Agreement Mo./Day/Yr.	Amount Consolidated 3/ (In millions of U.S. dollars)	Type of Debt Consolidated 4/ Non-previously rescheduled	Previously rescheduled	Consolidation Period (Months)	Proportion of due Payments Rescheduled 5/6/ (In percent) Pri.	Int.	Terms 5/7/ Grace	Maturity (In years)
Costa Rica	I	01/11/83	136	PIA	--	18	85	85	3.8	8.3
Costa Rica	II	04/22/85	166	PIA	--	15	90	90	4.9	9.4
Costa Rica	III	05/26/89	182	PIAL	PIAL	14	100	100	4.9	9.4
Costa Rica	IV	07/16/91	139	PIA	A	9	100	100	5.0	9.5
Costa Rica	V	06/22/93	58	A	Partial A	--	100	100	2.0	6.5
Côte d'Ivoire	I	05/04/84	230	PI	--	13	100	50	4.0	8.5
Côte d'Ivoire	II	06/25/85	213	PI	--	12	100	50	4.0	8.5
Côte d'Ivoire	III	05/27/86	370	P	--	36	80	--	4.1	8.6
Côte d'Ivoire	IV	12/17/87	567	PIAL	PIAL	16	100	95	5.8	9.3
Côte d'Ivoire	V	12/18/89	934	PIA	PA,Partial I	16	100	100	7.8	13.3
Côte d'Ivoire	VI	11/20/91	806	PIA	PIA	12	100	100	8.0	14.5
Côte d'Ivoire	VII	03/22/94	1,849	PIAL	PIAL	37	100	100	5.0**	21.5**
Croatia 9/	I	03/21/95	861	AL	PAL	12	100	100	2.1	13.6
C.A.R.	I	06/12/81	72	PIA	--	12	85	85	4.0	8.5
C.A.R.	II	07/08/83	13	PIA	--	12	90	90	5.0	9.5
C.A.R.	III	11/22/85	14	PI	Partial P	18	90	90	4.8	9.3
C.A.R.	IV	12/14/88	28	PIA	Partial PAp	18	100	100	8.0*	24.5*
C.A.R.	V	06/15/90	4	--	Partial PI	12	100	100	8.0*	13.5*
C.A.R.	VI	04/12/94	32	PIAL	Partial PIAL	12	100	100	6.0**	22.5**
Dominican Rep.	I	05/21/85	290	PIA	--	15	90	90	4.9	9.4
Dominican Rep.	II	11/22/91	850	PIA	PIA	18	100	100	7.8	14.3
Ecuador	I	07/28/83	142	PI	--	12	85	85	3.0	7.5
Ecuador	II	04/24/85	450	PAp	--	36	100	--	3.0	7.5
Ecuador	III	01/20/88	438	PIA	PIA	14	100	100	4.9	9.4
Ecuador	IV	10/24/89	397	PIAL	Partial PIA	14	100	100	5.9	9.4
Ecuador	V	01/20/92	339	PIA	PIA	12	100	100	8.0	15.0
Ecuador	VI	06/27/94	293	PIA	Partial PIA	6	100	100	8 3	14.8
Egypt	I	05/22/87	6,350	PIA	--	18	100	100	4.7	9.2
Egypt 15/	II	05/25/91	27,864	PIAL	PIAL	Stock	100	100	2.5	35.0
El Salvador	I	09/17/90	135	PIA	--	13	100	100	8.0	14.5
Eq. Guinea	I	07/22/85	38	PIAL	--	18	100	100	4.5	9.0
Eq. Guinea 13/	II	03/03/89	10	A	A	--	--	--	8.0*	24.5*
Eq. Guinea 13/	III	04/02/92	32	PIA	PIAL	12	100	100	6.0**	22.5**
Eq. Guinea 13/	IV	12/15/94	51	PIA	PIA	21	100	100	5.7**	22.2**
Ethiopia	I	12/16/92	441	PIAL	--	35	100	100	5.0**	21.5**
FYR Macedonia 9/16/	I	07/17/95	290	PIAL	PIAL	12	100	100	3.1	14.6

Table 2 (continued). Reschedulings of Official Bilateral Debt, 1976-July 1995 1/

(Overview)

Debtor Countries 1/		Date of Agreement Mo./Day/Yr.	Amount Consolidated 3/ (In millions of U.S. dollars)	Type of Debt Consolidated 4/ Non-previously rescheduled	Previously rescheduled	Consolidation Period (Months)	Proportion of due Payments Rescheduled 5/6/ (In percent) Pri.	Int.	Terms 5/7/ Grace (In years)	Maturity
Gabon	I	06/20/78	63	Ap	--	--	--	--	--	--
Gabon	II	01/22/87	387	PI	--	15	100	90	3.9	9.4
Gabon	III	03/21/88	326	PI	--	12	100	100	5.0	9.5
Gabon	IV	09/19/89	545	PIA	--	16	100	100	4.0	10.0
Gabon	V	10/24/91	498	PIA	P	15	100	100	5.0	10.0
Gabon 9/	VI	04/15/94	1,360	PIAL	PIAL	12	100	100	2.0	14.5
Gambia, The	I	09/19/86	17	PtItAt	--	12	100	100	5.0	9.5
Guatemala	I	03/25/93	440	AL	--	--	100	100	8.0	14.5
Guinea	I	04/18/86	196	PIAL	PIAL	14	95	95	4.9	9.4
Guinea	II	04/12/89	123	PIA	PIA	12	100	100	8.0*	24.5*
Guinea	III	11/18/92	203	A	Partial A	12	100	100	6.5**	23.0**
Guinea 17/	IV	01/25/95	156	PIAL	Partial PIAL	12	100	100	6.0***	22.5***
Guinea-Bissau	I	10/27/87	25	PIA	--	18	100	100	9.7	19.2
Guinea-Bissau	II	10/26/89	21	PIAL	PIA	15	100	100	7.8*	24.3*
Guinea-Bissau	III	02/23/95	195	PIAL	PIAL	36	100	100	5.0***	31.5***
Guyana	I	05/23/89	195	PtItAtLt	--	14	100	100	9.9	19.4
Guyana	II	09/12/90	123	PIAL	PIAL	35	100	100	6.8*	23.2*
Guyana	III	05/06/93	39	PI	PI	17	100	100	6.0**	22.5**
Haiti	I	05/30/95	117	PIAL	--	13	100	100	6.0***	32.5***
Honduras	I	09/14/90	280	PIAL	--	11	100	100	8.1	14.6
Honduras	II	10/26/92	180	PI	PI	11	100	100	5.1**	21.6**
Jamaica	I	07/16/84	105	PIA	--	15	100	50	3.9	8.4
Jamaica	II	07/19/85	62	PI	--	12	100	50	4.0	9.5
Jamaica	III	03/05/87	124	PIA	--	15	100	85	4.9	9.4
Jamaica	IV	10/24/88	147	PI	P	18	100	100	4.7	9.2
Jamaica	V	04/26/90	179	PI	Partial PI	18	100	100	4.8	9.3
Jamaica	VI	07/19/91	127	PI	PI	13	100	100	6.0	14.5
Jamaica	VII	01/25/93	291	PI	PI	36	100	100	5.0	13.5
Jordan	I	07/19/89	587	PIA	--	18	100	50	4.8	9.3
Jordan	II	02/28/92	603	PIA	--	18	100	100	7.7	14.3
Jordan 9/	III	06/28/94	1,147	PIA	Partial PIA	35	100	100	2.1	16.6
Kenya 9/	I	01/19/94	535	AL	--	--	100	100	1.3	7.8
Liberia	I	12/19/80	35	PI	--	18	90	90	3.3	7.8
Liberia	II	12/16/81	25	PI	--	18	90	90	4.1	8.6
Liberia	III	12/22/83	17	PI	--	12	90	90	4.0	8.5
Liberia	IV	12/17/84	17	PI	--	12	90	90	5.0	9.5

Table 2 (continued). Reschedulings of Official Bilateral Debt, 1976-July 1995 1/

(Overview)

Debtor Countries 1/		Date of Agreement Mo./Day/Yr	Amount Consolidated 3/ (In millions of U.S. dollars)	Type of Debt Consolidated 4/ Non-previously rescheduled	Previously rescheduled	Consolidation Period (Months)	Proportion of due Payments Rescheduled 5/6/ (In percent) Pri.	Int.	Terms 5/7/ Grace (In years)	Maturity
Madagascar	I	04/30/81	140	PIAt	--	18	85	85	3.8	8.3
Madagascar	II	07/13/82	107	PIAt	--	12	85	85	3.8	8.3
Madagascar	III	03/23/84	89	PIA	PIA	18	95	95	4.8	10.3
Madagascar	IV	05/22/85	128	PI	Partial PI	15	100	100	4.9	10.4
Madagascar	V	10/23/86	212	PI	Partial PI	21	100	100	4.6	9.1
Madagascar	VI	10/28/88	254	PIA	PI	21	100	100	7.6*	24.1*
Madagascar	VII	07/10/90	139	PI	Partial PI	13	100	100	8.0*	24.5*
Malawi	I	09/22/82	25	PI	--	12	85	85	3.5	8.0
Malawi	II	10/27/83	26	PI	--	12	85	85	3.5	8.0
Malawi	III	04/22/88	27	PIA	PAp	14	100	100	9.9	19.4
Mali	I	10/27/88	63	PIA	--	16	100	100	7.8*	24.3*
Mali	II	11/22/89	44	PIAt	At	26	100	100	7.4*	23.9*
Mali	III	10/29/92	20	PIA	Partial PIA	18	100	100	5.1**	21.6**
Mauritania	I	04/27/85	68	PIA	--	15	90	90	3.8	8.3
Mauritania	II	05/16/86	27	PI	--	12	95	95	4.0	8.5
Mauritania	III	06/15/87	90	PI	--	14	95	95	4.9	14.4
Mauritania	IV	06/19/89	52	PIA	Partial PI	12	100	100	8.0*	24.5*
Mauritania	V	01/26/93	218	PIA	Partial PIAL	24	100	100	5.5**	22.0**
Mauritania 18/	VI	06/28/95	66	PI	Partial PI	36	100	100	5.0***	31.5***
Mexico	I	06/22/83	1,199	PAt	--	6	90	--	3.0	5.5
Mexico 19/	II	09/17/86	1,912	PI	--	15	100	60	4.0	8.5
Mexico	III	05/29/89	2,400	PI	--	36	100	100	6.1	9.6
Morocco	I	10/25/83	1,152	PIA	--	16	85	85	3.8	7.3
Morocco	II	09/17/85	1,124	PIA	--	18	90	90	3.8	8.3
Morocco	III	03/06/87	1,008	PI	PI	16	100	100	4.7	9.2
Morocco	IV	10/26/88	969	PI	Partial P	18	100	100	4.7	9.2
Morocco	V	09/11/90	1,390	PIA	PIA	7	100	100	7.9	14.4
Morocco	VI	02/27/92	1,303	PIA	PIA	11	100	100	8.1	14.5
Mozambique	I	10/25/84	283	PIA	--	12	95	95	5.0	10.5
Mozambique	II	06/16/87	361	PIAL	PI	19	100	100	9.7	19.3
Mozambique	III	06/14/90	719	PIAL	PIAL	30	100	100	7.2*	23.8*
Mozambique	IV	03/23/93	440	PI	PI	24	100	100	5.5**	22.0**
Nicaragua	I	12/17/91	722	PIA	--	15	100	100	6.0**	22.5**
Nicaragua 20/	II	03/22/95	848	PIAL	Partial PI	27	100	100	5.4***	21.9***
Niger	I	11/14/83	36	PI	--	12	90	60	4.5	8.5
Niger	II	11/30/84	26	PI	--	14	90	50	4.9	9.4
Niger	III	11/21/85	38	PI	--	12	90	50	5.1	9.5
Niger	IV	11/20/86	34	P	--	13	100	--	5.0	9.5
Niger	V	04/21/88	37	PI	--	13	100	75	10.0	19.5
Niger	VI	12/16/88	48	PI	Partial PI	12	100	100	8.0*	24.5*
Niger	VII	09/18/90	116	PIAL	Partial PIAL	28	100	100	7.3*	23.8*
Niger	VIII	03/04/94	160	PIAL	PIAL	15	100	100	6.0**	22.5**

Table 2 (continued). Reschedulings of Official Bilateral Debt, 1976-July 1995 1/

(Overview)

Debtor Countries 1/		Date of Agreement Mo./Day/Yr.	Amount Consolidated 3/ (In millions of U.S. dollars)	Type of Debt Consolidated 4/ Non-previously rescheduled	Previously rescheduled	Consolidation Period (Months)	Proportion of due Payments Rescheduled 5/6/ (In percent) Pri.	Int.	Terms 5/7/ (In years) Grace	Maturity
Nigeria	I	12/16/86	6,251	PIAt	--	15	100	100	4.9	9.4
Nigeria	II	03/02/89	5,600	PIAtL	PIAL	16	100	100	4.8	9.3
Nigeria	III	01/18/91	3,300	PIA	PI	15	100	100	7.9	14.3
Panama	I	09/19/85	19	P	--	16	50	--	2.8	7.3
Panama	II	11/14/90	200	PIAL	PIAL	17	100	100	4.8	9.3
Peru	I	11/03/78	420	P	--	12	90	--	2.0	6.5
Peru	II	07/26/83	466	PI	--	12	90	90	3.0	7.5
Peru	III	06/05/84	704	PI	--	15	90	90	4.9	8.4
Peru	IV	09/17/91	5,910	PIA	PIA	15	100	100	7.9	14.5
Peru	V	05/04/93	1,527	PI	PI	39	100	100	6.9	13.4
Philippines	I	12/20/84	757	PI	--	18	100	60	4.8	9.3
Philippines	II	01/22/87	862	PI	--	18	100	70	4.7	9.2
Philippines	III	05/27/89	1,850	PIA	--	25	100	75	5.5	9.0
Philippines 21/	IV	06/20/91	1,096	PI	PI	14	100	100	7.9	14.4
Philippines 8/	V	07/19/94	586	PI	--	17	100	100	7.9	14.4
Poland	I	04/27/81	2,110	PIA	--	8	90	90	4.0	7.5
Poland	II	07/15/85	10,930	PIAL	--	36	100	100	5.0	10.5
Poland	III	11/19/85	1,400	PI	--	12	100	100	5.0	9.5
Poland	IV	10/30/87	9,027	PIAL	PI,Partial AI	12	100	100	4.5	9.0
Poland	V	02/16/90	10,400	PIAL	PIAL	15	100	100	8.3	13.8
Poland 22/	VI	04/21/91	29,871	PIAL	PIAL	Stock	100	100	6.5	18.0
Romania	I	07/28/82	234	PIA	--	12	80	80	3.0	6.0
Romania	II	05/18/83	736	P	--	12	60	--	3.0	6.0
Rus. Fed. 23/	I	04/02/93	14,363	PIA	--	12	100	100	5.0	9.5
Rus. Fed. 9/23/	II	06/02/94	7,100	PI	Partial I	12	100	100	2.8	15.3
Rus. Fed. 9/23/	III	06/03/95	6,400	PI	Partial I	12	100	100	2.8	15.3
Senegal	I	10/12/81	75	PI	--	12	85	85	4.0	8.5
Senegal	II	11/29/82	74	PI	--	12	85	85	4.3	8.8
Senegal	III	12/21/83	72	PI	--	12	90	90	4.0	8.5
Senegal	IV	01/18/85	122	PIA	--	18	95	95	3.8	8.3
Senegal	V	11/21/86	65	PI	--	16	100	100	4.8	9.3
Senegal	VI	11/17/87	79	PI	--	12	100	100	6.0	15.5
Senegal	VII	01/23/89	143	PI	PI	14	100	100	7.7*	24.2*
Senegal	VIII	02/12/90	107	PI	Partial PI	12	100	100	8.0*	24.5*
Senegal	IX	06/21/91	114	PIA	PIA	12	100	100	8.0*	24.5*
Senegal	X	03/03/94	237	PIAL	PIAL	15	100	100	6.0**	22.5**
Senegal	XI	04/20/95	169	PIAL	Partial PIAL	29	100	100	5.3***	31.8***

Table 2 (continued). Reschedulings of Official Bilateral Debt, 1976-July 1995 1/

(Overview)

Debtor Countries 1/		Date of Agreement Mo./Day/Yr.	Amount Consolidated 3/ (In millions of U.S. dollars)	Type of Debt Consolidated 4/ Non-previously rescheduled	Previously rescheduled	Consolidation Period (Months)	Proportion of due Payments Rescheduled 5/6/ (In percent) Pri.	Int.	Terms 5/7/ Grace (In years)	Maturity
Sierra Leone	I	09/15/77	39	PIA	--	24	80	80	1.5	8.5
Sierra Leone	II	02/08/80	37	PIA	--	16	90	90	4.2	9.7
Sierra Leone	III	02/08/84	25	PIAt	PIA	12	90	90	5.0	10.0
Sierra Leone	IV	11/19/86	86	PIAL	Partial PI	18	100	100	4.8	9.2
Sierra Leone	V	11/20/92	164	PIAL	PIAL	30	100	100	6.0**	22.5**
Sierra Leone	VI	07/20/94	42	PIAL	Partial PIAL	17	100	100	6.0**	22.5**
Somalia	I	03/06/85	127	PIAt	--	12	95	95	5.0	9.5
Somalia	II	07/22/87	153	PIA	PI	24	100	100	9.5	19.0
Sudan	I	11/13/79	487	PIA	--	21	85	85	3.0	9.5
Sudan	II	03/18/82	203	PIA	--	18	90	90	4.5	9.5
Sudan	III	02/04/83	518	PtItAt	PI	12	100	100	5.5	15.0
Sudan	IV	05/03/84	249	PI	--	12	100	100	6.0	15.5
Tanzania	I	09/18/86	1,046	PIAt	--	12	100	100	5.0	9.5
Tanzania	II	12/13/88	377	PIA	PIA	6	100	100	8.2*	24.7*
Tanzania	III	03/16/90	199	PIAL	PIAL	12	100	100	8.0*	24.5*
Tanzania	IV	01/21/92	691	PIAL	Partial PIAL	30	100	100	6.0**	22.5**
Togo	I	06/15/79	260	PIA	--	21	80	80	2.8	8.3
Togo	II	02/20/81	232	PI	--	24	85	85	4.0	8.5
Togo	III	04/12/83	300	PIA	PI	12	90	90	5.0	9.5
Togo	IV	06/06/84	75	PIR	Partial PI	16	95	95	4.8	9.3
Togo	V	06/24/85	27	PI	--	12	95	95	5.0	10.5
Togo	VI	03/22/88	139	PIAp	Partial PAp	15	100	100	7.9	15.3
Togo	VII	06/20/89	76	PI	Partial PI	14	100	100	7.9*	24.4*
Togo	VIII	07/09/90	88	--	Partial PI	24	100	100	7.5*	24.0*
Togo	IX	06/19/92	52	--	Partial PI	9	100	100	6.0**	22.5**
Togo	X	02/23/95	237	--	Partial PIAL	33	100	100	5.1***	31.6***
Trinidad & Tob.	I	01/25/89	209	PAp	--	14	100	--	4.9	9.4
Trinidad & Tob.	II	04/27/90	110	P	--	13	100	--	5.0	9.5
Turkey	I	05/20/78	1,300	PIAt	--	13	80	80	2.0	6.5
Turkey	II	07/25/79	1,200	PIAs	--	12	85	85	3.0	7.5
Turkey	III	07/23/80	3,000	PIAt	PIA	36	90	90	4.5	9.0
Uganda	I	11/18/81	30	PIA	--	12	90	90	4.5	9.0
Uganda	II	12/01/82	19	PI	--	12	90	90	6.5	8.0
Uganda	III	06/19/87	170	PIAL	PI	12	100	100	6.0	14.5
Uganda	IV	01/26/89	89	PIAL	PIAL	18	100	100	7.8*	24.3*
Uganda 11/	V	06/17/92	39	PIA	PIAL	24	100	100	6.0**	22.5**
Uganda 13/	VI	02/20/95	110	--	Partial PAL	--	100	100	6.5***	33.5***
Viet Nam	I	12/14/93	791	AL	--	--	100	100	6.6**	23.0**

Table 2 (continued). Reschedulings of Official Bilateral Debt, 1976-July 1995 1/

(Overview)

Debtor Countries 1/		Date of Agreement Mo./Day/Yr.	Amount Consolidated 3/ (In millions of U.S. dollars)	Type of Debt Consolidated 4/ Non-previously rescheduled	Previously rescheduled	Consolidation Period (Months)	Proportion of due Payments Rescheduled 5/6/ (In percent) Pri.	Int.	Terms 5/7/ Grace (In years)	Maturity
Yugoslavia	I	05/22/84	500	P	--	12	100	--	4.0	6.5
Yugoslavia	II	05/24/85	812	P	--	16	90	--	3.8	8.3
Yugoslavia 24/	III	05/13/86	901	P	--	12	85	--	3.9	9.4
Yugoslavia	IV	07/13/88	1,291	PI	Partial PI	15	100	100	5.9	9.4
Zaïre	I	06/16/76	270	PA	--	18	85	--	1.0	7.5
Zaïre	II	07/07/77	170	PI	--	12	85	85	3.0	8.5
Zaïre	III	12/01/77	40	I	--	6	--	75	3.0	9.0
Zaïre	IV	12/11/79	1,040	PIAt	A	18	90	90	3.5	9.0
Zaïre	V	07/09/81	500	PI	--	12	90	90	4.0	9.5
Zaïre	VI	12/20/83	1,497	PtItAtL	PIAL	12	95	95	5.0	10.5
Zaïre	VII	09/18/85	408	PI	PI	15	95	95	4.9	9.4
Zaïre	VIII	05/15/86	429	PIR	--	12	100	100	4.0	9.5
Zaïre	IX	05/18/87	671	PIA	--	13	100	100	6.0	14.5
Zaïre	X	06/23/89	1,530	PIA	PI,Partial A	13	100	100	7.9*	24.4*
Zambia	I	05/16/83	375	PIAt	--	12	90	90	5.0	9.5
Zambia	II	07/20/84	253	PIA	PIA	12	100	100	5.0	9.5
Zambia	III	03/04/86	371	PIA	PIA	12	100	100	5.0	9.5
Zambia	IV	07/12/90	963	PIAL	PIAL	18	100	100	7.8*	24.3*
Zambia	V	07/23/92	917	PIAL	PIAL	20	100	100	5.5**	22.0**

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

1/ Excludes debt renegotiations conducted under the auspices of aid consortia. Also excludes official debt reschedulings for countries not members of the IMF, but includes agreements with Poland signed prior to its date of membership in the IMF (June 12, 1986).

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

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

4/ Key: P - Principal, medium- and long-term debt
Pt - Principal, debt of all maturities
I - Interest, medium- and long-term debt
It - Interest, debt of all maturities
A - Arrears on principal and interest, medium- and long-term debt
As - Arrears on principal and interest, short-term debt
At - Arrears on principal and interest, debt of all maturities
Ap - Arrears on principal, medium- and long-term debt
L - Late interest

5/ Terms for current maturities due on medium- and long-term debt covered by the rescheduling agreement and not rescheduled previously.

6/ In most instances, some portion of the remaining amount was also deferred for a shorter period.

7/ For purposes of this paper grace and maturity of rescheduled current maturities are counted from the end of the consolidation period. In cases of multiyear rescheduling, the effective average repayment period can be longer. "*" denotes rescheduling with Toronto terms. "**" and "***" denote reschedulings under London and Naples terms, respectively (if underlined denotes stock treatment under Naples terms). Grace period refers to options A and C, and maturity refers to Option B for rescheduling on Toronto terms. Grace period refers to the debt-reduction option and maturity refers to the debt-service reduction option for rescheduling on London or Naples terms.

8/ Reschedulings for Algeria and the Philippines covered maturities on interest only for the first five months of the consolidation period.

Table 2 (concluded). Reschedulings of Official Bilateral Debt, 1976-July 1995 1/

9/ Graduated payments schedule
10/ For Algeria, principal payments were consolidated over 36 months and interest due over 12 months. Consolidated amount is estimated.
11/ Original consolidation period. Thereafter extended for 11 and 7 months in 1992 for Bolivia and Uganda respectively.
12/ The conditional second tranche of the consolidation for Brazil took effect after a further meeting with creditors in 1987.
13/ Date of informal meeting of creditors on the terms to be applied in the bilateral reschedulings.
14/ Cameroon's arrears were rescheduled on nonconcessional terms.
15/ Total value of debt restructured for Egypt in 1991, includes the cancellation of military debt by the United States.
16/ FYR Macedonia agreed to the terms of the rescheduling agreement, but did not sign the Agreed Minute.
17/ Naples terms with 50 percent NPV reduction.
18/ For Mauritania current maturities falling due under London terms were consolidated over 24 months and rescheduled nonconcessionally (see Appendix V, Table 11).
19/ Includes two separate consolidation periods for Mexico in 1986.
20/ For Nicaragua amounts falling due under London terms and on moratorium interest (see Appendix V, Table 12) were consolidated over 17 months and deferred nonconcessionally.
21/ Original consolidation period. Thereafter extended twice by 4 months and 3 months for Philippines in 1991.
22/ Total value of debt restructured for Poland in 1991.
23/ Creditors met under the chairmanship of the Group of Participating Countries.
24/ Includes two separate consolidation periods; however, the second tranche of the consolidation did not become effective.

Table 3. Low-Income Rescheduling Countries: Amounts Due and Consolidated, 1991-July 1995 1/2/

	Arrears as of start of consolidation	Debt service falling due during consolidation period	Total
		(In million of U.S. dollars)	
Pre-cutoff date debt service			
Debt service due	5,191	6,203	11,395
Not previously rescheduled	3,104	1,892	4,996
Previously rescheduled	2,087	4,311	6,398
Consolidated	4,990	5,830	10,820
Not previously rescheduled	3,066	1,892	4,958
Previously rescheduled	1,924	3,938	5,862
Amount to be paid	201	373	575
Not previously rescheduled	38	--	38
Previously rescheduled	163	373	536
Moratorium interest	--	513	513
Post-cutoff date debt service	679	1,320	1,999
Deferred	55	--	55
Total debt service to be paid after consolidation	825	2,208	3,033
		(In percent of amount due)	
Amount to be paid	3.9	6.0	5.0
Not previously rescheduled	1.2	--	0.8
Previously rescheduled	7.8	8.7	8.4

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

1/ Includes the reschedulings from Benin (2), Bolivia (2), Burkina Faso (2), Cambodia, CAR, Chad, Equatorial Guinea (2), Ethiopia, Guinea (2), Guinea Bissau, Guyana, Haiti, Honduras, Mali, Mauritania (2), Mozambique, Nicaragua (2), Niger, Senegal (3), Sierra Leone (2), Tanzania, Togo (2), Uganda (2), Viet Nam, and Zambia. Includes Côte d'Ivoire and Cameroon (excluding arrears which were rescheduled nonconcessionally) in 1994 following the rescheduling of their debts on enhanced concessional terms.

2/ Totals include double-counting in cases where previously rescheduled debt has been rescheduled.

Table 4. Lower Middle-Income Rescheduling Countries: Amounts Due and Consolidated, 1991-July 1995 1/2/

	Arrears as of start of consolidation	Debt service falling due during consolidation period	Total
		(In million of U.S. dollars)	
Pre-cutoff date debt service			
Debt service due	12,102	12,513	24,615
Not previously rescheduled	7,714	5,220	12,934
Previously rescheduled	4,388	7,293	11,681
Consolidated	10,627	9,528	20,155
Not previously rescheduled	7,548	4,982	12,530
Previously rescheduled	3,079	4,546	7,625
Amount to be paid	1,475	2,985	4,460
Not previously rescheduled	166	238	404
Previously rescheduled	1,309	2,747	4,056
Moratorium interest	--	1,528	1,528
Post-cutoff date debt service	1,560	4,145	5,705
Total debt service to be paid after consolidation 3/	3,035	8,658	11,693
		(In percent of amount due)	
Amount to be paid	12.2	23.9	18.1
Not previously rescheduled	2.2	4.6	3.1
Previously rescheduled	29.8	37.7	34.7

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

1/ Includes the reschedulings for Cameroon, Congo, Kenya, Côte d'Ivoire, Dominican Republic, Ecuador (2), Guatemala, Jamaica (2), Jordan (2), Morocco, Nigeria, Peru (2), and the Philippines (2). Excludes reschedulings in 1994 of Côte d'Ivoire and Cameroon on enhanced concessional terms, but includes Cameroon's arrears rescheduled on nonconcessional terms. The debt restructuring and reduction agreements with Egypt and Poland are excluded.

2/ Totals include double-counting in cases where previously rescheduled debt has been rescheduled.

3/ These figures exclude Peru's arrears on post-cutoff date debt of US$761 million and moratorium payments of US$447 million, which were deferred in 1991 beyond the consolidation period. The figures also exclude US$320 million of moratorium interest deferred in 1991 and again in 1993, as well as US$37 million of moratorium interest from the 1993 rescheduling that were deferred.

Table 5. Other Middle-Income Rescheduling Countries: Amounts Due and Consolidated, 1991-July 1995 1/2/

	Arrears as of start of consolidation	Debt service falling due during consolidation period	Total
		(In million of U.S. dollars)	
Pre-cutoff date debt service			
Debt service due	13,987.1	25,483.1	39,470.2
Not previously rescheduled	5,757.4	16,975.0	22,732.4
Previously rescheduled	8,229.7	8,508.1	16,737.8
Consolidated	10,978.1	20,440.1	31,418.2
Not previously rescheduled	5,720.4	15,774.1	21,494.5
Previously rescheduled	5,257.7	4,666.0	9,923.7
Amount to be paid	3,009.0	5,043.0	8,052.0
Not previously rescheduled	37.0	1,200.9	1,237.9
Previously rescheduled	2,972.0	3,842.1	6,814.1
Moratorium interest	--	2,951.0	2,951.0
Post-cutoff date debt service due	858.9	6,564.6	7,423.5
Deferred 2/	52.1	--	52.1
Total debt service to be paid after consolidation	3,815.8	14,558.6	18,426.5
		(In percent of amount due)	
Amount to be paid 1/	21.5	19.8	20.4
Not previously rescheduled	0.6	7.1	5.4
Previously rescheduled	36.1	45.2	40.7

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

1/ Includes the reschedulings for Algeria (2), Argentina (2), Brazil, Bulgaria (3), Costa Rica (2), Croatia, Gabon (2), and FYR Macedonia. Excludes rescheduling with the Russian Federation.

2/ Totals include double-counting in cases where previously rescheduled debt has been rescheduled.

3/ Includes US$70 million of late interest not consolidated for Brazil.

Table 6. Reschedulings of Official Bilateral Debt: Amounts Consolidated in Successive Reschedulings, 1976-July 1995

Country	Amount under successive agreements (In millions of U.S. dollars) (Agreement) I	II	III	IV	V	VI	VII	VIII	IX	X	XI	Total 1/	Number of agree-ments
Angola	446											446	1
Cambodia	249											249	1
Croatia	861											861	1
El Salvador	135											135	1
Ethiopia	441											441	1
FYR Macedonia	290											290	1
Gambia, The	17											17	1
Guatemala	440											440	1
Haiti	117											117	1
Kenya	535											535	1
Viet Nam	791											791	1
Algeria	5,345	7,000 2/										12,345	2
Burkina Faso	63	36										99	2
Chad	38	24										62	2
Chile	146	157										303	2
Dominican Republic	290	850										1,140	2
Egypt	6,350	27,864 3/										34,214	2
Honduras	280	180										460	2
Nicaragua	722	848										1,570	2
Panama	19	200										219	2
Romania	234	736										970	2
Somalia	127	153										280	2
Trinidad & Tobago	209	110										319	2
Benin	193	129	25									347	3
Bulgaria	640	251	200									1,091	3
Cameroon	535	1,080	1,259									2 874	3
Congo	756	1,052	1,175									2,983	3
Guinea-Bissau	25	21	195									241	3
Guyana	195	123	39									357	3
Jordan	587	603	1,147									2,337	3
Malawi	25	26	27									78	3
Mali	63	44	20									127	3
Mexico	1,199	1,912	2,400									5,511	3
Nigeria	6,251	5,600	3,300									15,151	3
Russian Federation	14,363	7,100	6,400									27,863	3
Turkey	1,300	1,200	3,000									5,500	3
Brazil	2,337	4,178	4,992	10,500								22,007	4
Equatorial Guinea	38	10	32	51								131	4
Guinea	196	123	203	156								678	4
Liberia	35	25	17	17								94	4
Mozambique	283	361	719	440								1,803	4
Sudan	487	203	518	249								1,457	4
Tanzania	1,046	377	199	691								2,313	4
Yugoslavia	500	812	901	1291								3,504	4
Argentina	2,040	1,260	2,450	1,476	2,701							9,927	5
Bolivia	449	226	300	65	482							1,522	5
Costa Rica	136	166	182	139	58							681	5
Peru	420	466	704	5,910	1,527							9,027	5
Philippines	757	862	1,850	1,096	586							5,151	5
Zambia	375	253	371	963	917							2,879	5
C A.R	72	13	14	28	4	32						163	6
Ecuador	142	450	438	397	339	293						2,059	6
Gabon	63	387	326	545	498	1,360						3,179	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
Poland	2,110	10,930	1,400	9,027	10,400	29,871 3/						63,738	6
Sierra Leone	39	37	25	86	164	42						393	6
Uganda	30	19	170	89	39	110 4/						457	6
Côte d'Ivoire	230	213	370	567	934	806	1,849					4,969	7
Jamaica	105	62	124	147	179	127	291					1,035	7
Madagascar	140	107	89	128	212	254	139					1,069	7
Niger	36	26	38	34	37	48	116	160				495	8
Togo	260	232	300	75	27	139	76	88	52	237		1,486	10
Zaire	270	170	40	1,040	500	1,497	408	429	671	1,530		6,555	10
Senegal	75	74	72	122	65	79	143	107	114	237	169	1 257	11
Total	58,168	80,492	37,129	36,350	21,277	36,027	3,022	784	837	2,004	169	276 259	2.4

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

1/ Includes significant double-counting in cases where previously rescheduled debt has been rescheduled
2/ Estimate.
3/ Total value of debt restructured in 1991.
4/ First stock-of-debt operation under Naples terms.

Table 7. Selected Middle-Income Rescheduling Countries: Debt and Debt Service, 1986-94

	1986	1987	1988	1989	1990	1991	1992	1993	1994
I. Debt outstanding				(In percent of GDP)					
Graduated from rescheduling									
Dominican Republic	69	74	86	63	64	64	61	57	52
Ecuador	79	99	106	104	88	77	64	57	52
Egypt	75	60	52	153	133	110	99	91	85
El Salvador	43	41	40	43	39	37	36	25	23
Guatemala	24	29	25	24	27	22	20	19	18
Kenya	55	69	66	75	69	72	69	110	63
Morocco	102	101	86	87	77	73	75	80	74
Philippines	90	82	71	63	64	58	57	63	59
Poland	51	66	60	60	79	63	57	56	54
Average	65	69	66	75	71	64	60	62	53
Current rescheduling in effect									
Jamaica 1/	133	143	120	108	101	104	125	95	95
Jordan	91	104	96	159	195	171	142	130	127
Peru	63	51	70	58	62	54	60	64	54
No current rescheduling in effect									
Congo	156	130	166	142	151	170	185	230	345
Nigeria	61	104	94	103	104	103	90	94	76
II. Debt outstanding				(In percent of exports of goods and services)					
Graduated from rescheduling									
Dominican Republic	265	240	218	202	228	237	225	215	193
Ecuador	339	425	402	355	291	265	226	228	221
Egypt	648	639	626	604	428	349	333	347	337
El Salvador	179	204	208	270	241	240	233	168	154
Guatemala	177	180	155	136	129	123	109	102	94
Kenya	214	323	300	327	268	270	268	282	222
Morocco 2/	483	450	347	390	305	327	329	345	350
Philippines 3/	344	343	264	223	219	207	179	182	157
Poland	287	317	274	468	387	324	299	307	266
Average	326	347	310	330	277	260	245	242	222
Current rescheduling in effect									
Jamaica 1/	240	255	221	214	209	194	174	156	127
Jordan	183	206	274	338	376	347	303	286	267
Peru	450	453	481	408	507	540	575	595	574
No current rescheduling in effect									
Congo	358	297	390	279	303	366	508	482	455
Nigeria	354	361	402	310	236	268	230	260	314
III. Debt service				(In percent of exports of goods and services)					
Graduated from rescheduling									
Dominican Republic	28.3	23.9	20.8	14.7	10.7	13.5	32.0	33.7	15.4
Ecuador	44.1	39.2	52.6	37.4	38.5	36.0	39.6	29.9	40.8
Egypt	60.1	56.4	9.8	25.2	69.3	60.9	26.2	17.4	19.2
El Salvador	37.0	37.9	33.4	25.8	24.6	33.5	25.3	28.4	28.6
Guatemala	5.6	2.2	37.4	18.6	10.7	14.5	46.6	17.3	13.9
Kenya	30.7	35.7	31.4	35.7	36.5	30.5	17.9	0.1	25.7
Morocco 2/	38.9	40.5	34.6	39.2	29.2	37.1	38.5	32.3	45.5
Philippines 3/	35.9	35.6	34.9	27.6	24.8	26.1	15.4	17.9	17.6
Poland	19.9	16.5	12.4	16.7	6.7	8.3	9.5	10.9	41.8
Average	33.4	32.0	29.7	26.8	27.9	28.9	27.9	20.9	27.6
Current rescheduling in effect									
Jamaica 1/	50.6	52.7	37.8	27.9	43.8	28.1	25.4	23.0	18.6
Jordan	20.3	17.2	48.2	38.3	28.0	32.3	29.1	23.0	22.9
Peru	24.2	19.4	12.2	11.7	11.8	309.3	47.8	49.5	43.0
No current rescheduling in effect									
Congo	18.8	10.8	5.8	4.0	2.9	1.5	-1.8	-2.6	198.4
Nigeria	41.2	20.7	2.4	19.0	19.2	18.6	24.0	12.6	17.6

Source: WEO data.

1/ Expected to graduate at the end of the current consolidation period (September 1995).
2/ In percent of exports of goods, nonfactor sevices, and private transfers.
3/ In percent of exports of goods, services, and remittances.

Table 8. Selected Debt Restructuring Agreements Involving Official Bilateral Creditors not Participating in the Paris Club, 1993-95 1/

Creditors	Debtors	Date of Agreement	Amount: Total	Amount: Of which: Arrears	Coverage	Terms	Other
1. Argentina	Honduras	6/1994	US$35.4 m	US$35.4 m	A	Cash buyback effected at a 70 percent discount	...
2. China	Mali	7/1992	CFAF 45 b	...	P	Deferral for 5-years of principal payments, no interest.	Consolidation period extends from January 1992 through end-1996.
	Uganda	2/1993	US$32 m	...	A + D	Repayment over 6 years at 5 percent interest of US$28 million, rest repayment over 3 years with no interest.	...
	Sierra Leone	Mid-1994	US$41 m	...	A + D	Repayment to be effected over (approximatively) 40-years, at concessional interest.	Debt covered includes outstanding debtor balance in a discontinued bilateral trading agreement.
3. Costa Rica	Honduras	12/1994	US$27 m	US$27 m	A	Repayment over 17 years, including 6 year grace. Interest at LIBOR +1.0 percent.	...
4. Germany 4/	Albania	End-1993	Rub 37.1 m	...	...	Repayment over 15 years, including 6 years grace. Interest 3.5 percent.	Outstanding debtor balance to the former GDR, in the CMEA arrangement. The debt was converted into DM 13 million.
	Poland	1994	...	...	...	...	Debtor balance to the former GDR.
5. Hungary	Mongolia	1/1994	...	...	...	Repayment of TR debt over 4 years.	Some short-term, but mostly TR-denominated balance in a CMEA clearing account.
	Russian Federation	Mid-1995	US$1.7 b	...	...	Settlement in kind of remaining CMEA balances.	Final phase of 1992 agreement.
6. India	Uganda	2/1992	US$54 m	...	...	Repayment over 10 years, including 5 years grace, at Libor.	...
7. Mexico	Jamaica	6/1993	US$23.1 m	US$23.1 m	A	Repayment over 12 years including 3 years grace. Interest 6 percent.	Oil supply debt.
			US$20.8 m	--	P + I	Repayment over 6 years, including 3 years grace. Interest 6 percent.	Debt previously rescheduled in 1978.
8. Poland	Russian Federation	2/1995	Small	...	...	Settlement in cash during 1995.	Cancellation of outstanding CMEA balances, intergovernmental loans and commercial credits.
9. Portugal	Angola	6/1994	...	...	A + P + I	Repayment of medium- and long-term debt over 11 years, including 2½ years grace. Interest 7 percent. Short-term debt, repayment over 8 years, including 2½ years grace. Interest 6 percent.	Repayment to be effected with oil shipments.

Table 8 (concluded). Selected Debt Restructuring Agreements Involving Official Bilateral Creditors not Participating in the Paris Club, 1993-95 1/

Creditors	Debtors	Date of Agreement	Amount: Total	Amount: Of which: Arrears	Coverage	Terms	Other
10. Russian Federation	Algeria	Early 1994	Rub 1.0 b	...	...	Repayment by 2004. Interest 2 percent.	A protocol was negotiated providing for part of the payments to be effected in kind.
	Egypt	Late 1994	Rub 1.7 b £20 m 2/	...	A+D	Repayment of the bulk of ruble-denominated debt by 2010; rest by 2002. Clearing sterling-denominated debt to be repaid by 2001.	As debt service falls due, Egypt's outstanding creditor balance in a defunct clearing account would be drawn down.
	Mongolia	1994 (?)	Rub 10 b	....	...	Deferral of principal repayment until 2000; and of interest through 1996.	...
	Ukraine	3/1995	US$2.6 b	US$2.1 b	A + P	About US$1.1 billion will be repaid over a 13-year period, including 3 years grace; interest Libor + 1.5/2.0 percent. US$1.0 billion to be repaid over a 12-year period, including 2 years grace at interest of 8.5 percent. US$0.2 billion canceled through a debt/equity swap, and US$100 million to be settled through provision of housing construction services.	Debt covered includes commodity credits (including US$1.5 billion arrears on gas shipments and intergovernmental loans (including US$0.6 billion in arrears).
	Viet Nam	1994	Rub 9.1 b US$38 m	...	A+D	Partial payments on the amounts falling due.	No formal agreement yet. In the meantime an informal arrangement provides for annual negotiations to determine goods and amounts to be exported.
11. Saudi Arabia	Algeria	Mid-1995	US$0.5 b	...	...	Terms comparable with the lower-middle income countries terms of the 1995 Paris Club agreement.	...
12. Spain	Angola	End-1993	US$135 m	...	A + D	Repayment over 2 1/4 years including 3/4 years grace. Interest based on the relevant commercial interest reference rate.	Spain provided new revolving credits and export financing. Payments to be effected with oil shipments.
13. Switzerland	Jordan	1/1994	US$24 m	...	D + A	Buyback at discount of outstanding debt.	Switzerland would fund environmental projects in Jordan with the receipts.
14. Taiwan Prov. of China	Jordan	Early 1994	US$2.5 m	...	...	Terms comparable to the 1992 Paris Club rescheduling.	...
15. Turkmenistan	Ukraine	Late-1994/early 1995	US$1.0 b	US$0.7 b	A + D	Payment of US$0.3 billion to be effected in 1994 (60 percent in kind); rest repayment over 7 years all in cash.	The arrears were accumulated in 1992 and 1993 on gas supplies.
16. Venezuela	Haiti	1/1995	US$5 m	US$5 m	A	Repayment over 3 years including 2 years grace; interest 8 percent.	...

Sources: Information provided by debtors.
1/ Key: P=Principal, medium- and long-term debt; I=Interest, medium- and long-term debt; D=medium- and long-term debt; A=Arrears on D.
2/ Denominated in clearing sterling.
3/ This is only a portion of Algeria's debt to Russia.
4/ Germany was a participant in the Paris Club terms of reference agreement with Albania in December 1993. The agreement covered only arrears on short-term debt, and provided for shorter repayment (by end-2000) and grace periods than the one granted on a bilateral basis by Germany on the ruble-denominated claims.

Table 1. Algeria: Date of Agreed Minute: July 21, 1995

Chairmanship--Paris Club

Scope of Debt Relief: Type of debt covered	Scope of Debt Relief: Consolidation period	Scope of Debt Relief: Estimated actual or actual amount consolidated (US$ millions)	Scope of Debt Relief: Proportion of maturities covered and repayment schedule (In percent)	Repayment terms 1/: Grace period (Years)	Repayment terms 1/: Maturity = grace + repayment periods (Years)
a. Official and officially-guaranteed debts having an original maturity of more than one year pursuant an agreement concluded before 9/30/93, including payments due under previous bilateral consolidations. - It is understood that debt service due as a result of the consolidation agreements concluded according to the Agreed Minute dated 6/1/94 is not affected by the reorganization. - The Algerian public sector shall include the Government, regions and municipalities, public agencies, organizations or institutions and those enterprises in which, as of May 31, 1994, the above entities, alone or together, are directly or indirectly majority shareholders (more than 50 percent).	a. Principal 6/1/95-5/31/98 a. Interest 6/1/95-5/31/96	7,000	a. 100 (of principal and interest excluding late interest). In 25 semiannual graduated payments starting 11/30/99 and ending in 11/30/2011.	a. Principal 1.5 a. Interest 3.5	a. Principal 13.5 a. Interest 15.5

Undertakings in Agreed Minute: Local currency counter-part	Implementation of Agreed Minute: Deposit in special account	Implementation of Agreed Minute: Bilateral deadline	Implementation of Agreed Minute: Conditions for application of the provision of the Agreed Minute	Implementation of Agreed Minute: Conditions for a meeting to discuss future debt service obligations (Goodwill clause)	Implementation of Agreed Minute: Period of Fund Arrange-ment	Other comments
No	No	3/31/96	- The provisions of the Agreed Minute will continue to apply until 6/30/96 provided that the Algerian Government continues to have an appropriate arrangement with the Fund. - The provisions will continue to apply from 7/1/96-6/30/97 provided the Board has completed before 6/30/96 the review for the second year EFF, and payments referred to in the Agreed Minute are made on due dates, in particular arrears outstanding as at the date of the present Agreed Minute (see Other comments). - The provisions will continue to apply from 7/1/97-5/31/98 provided the Board has completed before 6/30/97 the review for the third year EFF, and payments referred to in the Agreed Minute are made on due dates.	- No goodwill clause.	EFF 5/22/95-5/21/98	- All debt service due and not paid as at date of present Agreed Minute and not covered by the Agreement, will be paid as soon as possible, and in any case not later than 10/31/95. Late interest will be charged on those amounts. All other amounts will be paid on due dates. - Transfer clause: the Government will continue to allow unrestricted and immediate access to the foreign exchange required for servicing private sector debts owed to or guaranteed by the Participating Creditor Countries or their appropriate institutions.

Source: Agreed Minute.

1/ For the purpose of this paper, grace period and maturity on rescheduled amounts of current maturities are defined to begin at the end of the consolidation period.

Table 2. Bolivia: Date of Agreed Minute: March 24, 1995

Chairmanship--Paris Club

Naples Terms

Scope of Debt Relief				Repayment terms 1/	
Type of debt covered	Consolidation period	Estimated actual or actual amount consolidated (US$ millions)	Proportion of maturities covered and repayment schedule 1/2/ (In percent)	Grace period (Years)	Maturity = grace + repayment periods (Years)
a. Official and officially-guaranteed debts having an original maturity of more than one year pursuant an agreement concluded before 12/31/85.	a.,c.,e.,f. 1/1/95-12/31/97	482.0 a.,b.,c.,d. Concessional options under Naples terms 3/ providing 67 percent reduction in NPV.	a.,c. 100 (of principal and interest excluding late interest). In 66 semiannual graduated payments starting 12/31/96 and ending in 6/30/2029.	a.,b.,c.,d. 5.0 e. 4.0	a.,b.,c.,d. 31.5 e. 8.5
b Arrears on debts mentioned in a. above.	b.,d.,g. Arrears as at 12/31/94		b.,d. 100 (of principal and interest including late interest). In 66 semiannual graduated payments starting 12/31/96 and ending in 6/30/2029.	f.,g. 15.0	f.,g. 38.5
c Repayments of principal and interest due as a result of the consolidation agreements concluded or to be concluded according to the Agreed Minutes dated 7/18/86 and 11/14/88.			e. 100 (of principal and interest due, excluding late interest) from 1/1/95-12/31/97. Repayments will be made in 10 equal semiannual payments starting 12/31/2001 and ending 6/30/2006.		
d. Arrears on debts mentioned in c. above.		f.,g. The rates and conditions of interest should be at least as favor-able as the concessional rate applied to those loans.			
e. Payments in interest due as a result of the consolidation agreements concluded or to be concluded according to the Agreed Minutes dated 3/15/90 (Toronto terms).			f. 100 (of principal and interest excluding late interest). In 48 semiannual graduated payments starting 12/31/2012 and ending in 6/30/2036.		
f. ODA loans pursuant to an agreement concluded before 12/31/85, and the consolidation of such loans to be concluded according to Agreed Minutes dated 7/18/86 and 11/14/88.			g. 100 (of principal and interest including late interest). In 48 semiannual graduated payments starting 12/31/2012 and ending in 6/30/2036.		
g. Arrears on debts mentioned in f. above.					
- It is understood that debt service due as a result of the consolidation agreements concluded according to the Agreed Minute dated 1/24/92 (London Terms) is not affected by the reorganization.			- One creditor chose the Long-Maturities Option for a.,b.,c.,d. 100 percent of principal and interest arrears (including late interest) and on amounts due (excluding late interest) from 1/1/95 -12/31/97.		

Undertakings in Agreed Minute						
	Implementation of Agreed Minute					
Local currency counter-part	Deposit in special account	Bilateral deadline	Conditions for application of the provision of the Agreed Minute	Conditions for a meeting to discuss future debt service obligations (Goodwill clause)	Period of Fund Arrange-ment	Other comments
No	No	9/30/95	- The provisions of the Agreed Minute will continue to apply until 12/31/95 provided that Bolivia continues to have an appropriate arrangement with the Fund. - The provisions will continue to apply from 1/1/96-12/31/96 *provided the Board has approved* before 3/31/96 a second year ESAF, and payments referred to in the Agreed Minute are made on due dates. - The provisions will continue to apply from 1/1/97-12/31/97, provided the Board has approved before 3/31/97 a third year ESAF, *and payments referred to in the* Agreed Minute are made on due dates.	- Participating and Observer Creditor Countries are in principle willing to accord a treatment of Bolivia's stock of debt, in view of the successful implementation of the *previous Agreed Minutes,* they will notify the Government of Bolivia as soon as Creditor Countries have reached agreement to set a date for that purpose. The terms of the present Agreed Minute do not prejudge the terms of the *Agreement that would be* reached at that time.	ESAF 12/19/94-12/18/97	- All debt service due and not paid as at date of present Agreed Minute and not covered by the Agreement, will be paid as soon as possible, and in any case not later than 9/30/1995. - Transfer clause: the Government will continue to guarantee within an *appropriate exchange rate system* the immediate and unrestricted transfer of foreign exchange counterpart of all amounts paid in local currency by the private debtors for their debt service. - Debt swap provisions on a voluntary basis, covering: (i) 100 percent of ODA loans; or (ii) other credits, up to 10 percent of *claims outstanding at 12/31/91 or* US$20 million, whichever is higher.

Source: Agreed Minute

1/ Creditors may choose among several rescheduling options (see Table 15). The grace period and maturity on rescheduled amounts of current maturities and arrears are defined to begin at the end of the consolidation period. The grace period refers to the debt reduction option and maturity refers to the debt-service reduction option for rescheduling under Naples terms. For creditors choosing the debt reduction option, the maturity period will be shorter.

2/ Under debt service reduction option.

3/ *For details of repayment terms under Naples terms, see "Debt Situation - Recent Developments in Commercial Bank and Official Bilateral Debt* Restructuring", EBS/95/41 (3/17/95), Tables 3, 4 and 5.

Table 3. Cambodia: Terms of Reference: January 26, 1995

Chairmanship--Paris Club

Naples Terms

	Scope of Debt Relief			Repayment terms 1/	
Type of debt covered	Consolidation period	Estimated actual or actual amount consolidated (US$ millions)	Proportion of maturities covered and repayment schedule 1/ (In percent)	Grace period (Years)	Maturity = grace + repayment periods (Years)
a. Official and officially-guaranteed debts having an original maturity of more than one year, including payments due under previous bilateral consolidation, pursuant an agreement concluded before 12/31/85. b. Arrears on debts mentioned in a. above. c. Repayments of principal and interest due as a result of the consolidation agreements concluded according to the Agreed Minutes dated 1/27/72, 10/31/72 and bilateral agreement concluded by Cambodia with France 6/28/74. d. Arrears on debts mentioned in c. above. e. ODA loans pursuant to an agreement concluded before 12/31/85. f. Arrears on debts mentioned in e. above.	a.,c.,e. 1/1/95-6/30/97 b.,d.,f. Arrears as at 12/31/94	249 a.,b.,c.,d. Concessional options under Naples terms 2/ providing 67 percent reduction in NPV. e.,f. The rates and conditions of interest should be at least as favorable as the concessional rates applying to those loans.	a.,c. 100 (of principal and interest excluding late interest). In 34 semiannual graduated payments starting 9/30/2002 and ending in 3/31/2019. b.,d. 100 (of principal and interest including late interest). In 34 semiannual graduated payments starting 9/30/2002 and ending in 3/31/2019. e. 100 (of principal and interest excluding late interest). In 48 semiannual graduated payments starting 9/30/2012 and ending in 3/31/2036. f. 100 (of principal and interest including late interest). In 48 semiannual graduated payments starting 9/30/2012 and ending in 3/31/2036.	a.,b.,c.,d. 5.3 e.,f. 15.3	a.,b.,c.,d. 21.8 e.,f. 38.8

Undertakings in Terms of Reference	Implementation of Terms of Reference					
Local currency counter-part	Deposit in special account	Bilateral deadline	Conditions for application of the provision of the Terms of Reference	Conditions for a meeting to discuss future debt service obligations (Goodwill clause)	Period of Fund Arrange-ment	Other comments
No	No	No	No	- No goodwill clause	ESAF 5/6/94-5/3/97	- Debt swap provisions on a voluntary basis, covering: (i) 100 percent of ODA loans; or (ii) other credits, up to 10 percent of claims outstanding at 12/31/94 or US$20 million, whichever is higher.

Source: Terms of Reference.

1/ Creditors may choose among several rescheduling options (see Table 15). The grace period and maturity on rescheduled amounts of current maturities and arrears are defined to begin at the end of the consolidation period. The grace and maturity period refers to the debt reduction option for rescheduling under Naples terms. All creditors with commercial credits chose the debt reduction option.

2/ For details of repayment terms under Naples terms, see "Debt Situation - Recent Developments in Commercial Bank and Official Bilateral Debt Restructuring", EBS/95/41 (3/17/95), Tables 3, 4 and 5.

Table 4. Chad: Terms of Reference: February 28, 1995

Chairmanship--Paris Club

Naples Terms

Scope of Debt Relief				Repayment terms 1/	
Type of debt covered	Consolidation period	Estimated actual or actual amount consolidated (US$ millions)	Proportion of maturities covered and repayment schedule 1/2/ (In percent)	Grace period (Years)	Maturity = grace + repayment periods (Years)
a. Official and officially-guaranteed debts having an original maturity of more than one year, including payments due under previous bilateral consolidations, pursuant an agreement concluded before 6/30/89. b. Arrears on debts mentioned in a. above. c. Repayments of principal and interest due as a result of the consolidation agreements concluded according to the Terms of Reference dated 10/24/89 (Toronto terms). d. Arrears on debts mentioned in c. above. e. ODA loans pursuant to an agreement concluded before 6/30/89. f. Arrears on debts mentioned in e. above.	a.,c.,e. 4/1/94-3/31/95 b.,d.,f. Arrears as at 3/31/94	24.0 a.,b. Concessional options under Naples terms 3/ providing 67 percent reduction in NPV. c.,d. Topped up to achieve a 67 percent NPV reduction. e.,f. The rates and conditions of interest should be at least as favorable as the concessional rates applying to those loans.	a.,b.,c.,d. 100 (of principal and interest including late interest). In 66 semiannual graduated payments starting 3/31/95 and ending in 9/30/2027. e.,f. 100 (of principal and interest including late interest). In 48 semiannual graduated payments starting 3/31/2011 and ending in 9/30/2034.	a.,b.,c.,d. 6.0 e.,f. 16.0	a.,b.,c.,d. 32.5 e.,f. 39.5

Undertakings in Terms of Reference						
	Implementation of Terms of Reference					
Local currency counter-part	Deposit in special account	Bilateral deadline	Conditions for application of the provision of the Terms of Reference	Conditions for a meeting to discuss future debt service obligations (Goodwill clause)	Period of Fund Arrange-ment	Other comments
No	No	3/31/95	No	- Continued appropriate arrangement with the Fund. - Effective arrangements with external creditors meeting the conditions of MFN and Initiative clause. - Compliance with all conditions set out in the present Terms of Reference. - The participating creditors agreed in principle to hold a meeting to consider the matter of the Republic of Chad's stock of debt if as at 3/23/97, Chad has maintained satisfactory relations with the participating creditors countries, and notably fully implements all agreements signed with them and continues to have an appropriate arrangement with the Fund.	No arrange-ment	- Arrears on short-term debt will be paid as soon as possible and, in any case, not later than 3/31/95. - Debt swap provisions on a voluntary basis, covering: (i) 100 percent of ODA loans; or (ii) other credits, up to 10 percent of claims outstanding at 3/31/94 or US$10 million, whichever is higher.

Source: Terms of Reference.

1/ Creditors may choose among several rescheduling options (see Table 15). The grace period and maturity on rescheduled amounts of current maturities and arrears are defined to begin at the end of the consolidation period. The grace period refers to the debt reduction option and maturity refers to the debt-service reduction option for rescheduling under Naples terms. For creditors choosing the debt reduction option, the maturity period will be shorter.

2/ Under the debt service reduction option.

3/ For details of repayment terms under Naples terms, see "Debt Situation - Recent Developments in Commercial Bank and Official Bilateral Debt Restructuring", EBS/95/41 (3/17/95), Tables 3, 4 and 5.

Table 5. Croatia: Date of Agreed Minute: March 21, 1995

Chairmanship--Paris Club

Scope of Debt Relief				Repayment terms 1/	
Type of debt covered	Consolidation period	Estimated actual of actual amount consolidated (US$ millions)	Proportion of maturities covered and repayment schedule (In percent)	Grace period (Years)	Maturity = grace + repayment periods (Years)
a. Arrears on official and officially-guaranteed debts with an original maturity of more than one year, pursuant to a contract or financial arrangement concluded before 12/2/82 (see other comments below). b. Repayments of principal and interest due from the consolidation agreements concluded according to the Agreed Minutes dated 5/22/84, 5/24/85, 5/13/86 and 7/13/88 (see other comments below). c. Arrears on debts mentioned in b above. - For implementation of Agreed Minute, debts owed or guaranteed by former socially-owned legal entities located on Croatian territory, regardless of their present ownership status, are included in the allocated debt.	b. 1/1/95-12/31/95 a.,c. Arrears as at 12/31/94	861.0	b. 100 (of principal, excluding late interest). Repayments will be made in 24 semiannual graduated payments starting 1/31/1998 and ending 7/31/2009. a.,c. 100 (of principal and interest, excluding late interest). Repayments will be made in 24 semiannual graduated payments starting 1/31/1998 and ending 7/31/2009.	a.,b.,c. 2.1	a.,b.,c. 13.6

Undertakings in Agreed Minute						
		Implementation of Agreed Minute				
Local currency counter-part	Deposit in special account	Bilateral deadline	Conditions for application of the provision of the Agreed Minute	Conditions for a meeting to discuss future debt service obligations (Goodwill clause)	Period of Fund Arrange-ment	Other comments
No	No	10/31/95 In case that the conclusion of bilateral agreements is delayed beyond this date because of the absence of agreement on the reconcilia-tion of bilaterally agreed debts not part of the "allocated debt", this will not affect the validity of the present Agreed Minute and other bilateral agreements.	- The provisions of the Agreed Minute will continue to apply provided that the Government of the Republic of Croatia continues to have an arrangement with the Fund in the upper credit tranches.	- No goodwill clause.	SBA 10/14/94-4/13/96	- The rescheduling covered; (i) debts of the former Socialist Federal Republic of Yugoslavia (SFRY) owed or guaranteed by entities located on Croatian territory, including Government entities legally authorized to act on their behalf or banks when relevant ("allocated debt"); and (ii) 28.49 percent of the debts owed or guaranteed by the former SFRY and not immediately attributable to any successor Republic ("non allocated debt"). - Late interest as at 12/31/94 on debts covered in the present Agreed Minute will be paid in 10 equal semiannual installments starting 7/31/96 and ending 1/31/2001. - Other debt-service arrears not covered in present Agreed Minute will be paid as soon as possible and in any case not later than 10/31/95. - The Government will continue to allow unrestricted and immediate access to foreign exchange for debt service.

Source: Agreed Minute.

1/ For the purpose of this paper, grace period and maturity on rescheduled amounts of current maturities (item b.) are defined to begin at the end of the consolidation period.

Table 6. Equatorial Guinea: Terms of Reference: December 15, 1994

Chairmanship -Paris Club

Naples Terms

Scope of Debt Relief				Repayment terms 1/	
Type of debt covered	Consolidation period	Estimated actual or actual amount *consolidated* (US$ millions)	Proportion of maturities covered and repayment *schedule 1/2/* (In percent)	Grace *period* (Years)	Maturity = grace + repayment *periods* (Years)
a. Official and officially-guaranteed debts having an original maturity of more than one year pursuant an agreement concluded before 7/1/84.	a.,c.,e.,g. 6/1/94-2/28/96 b.,d.,f.,h. Arrears as at 5/31/94	51 0 a.,b.,c.,d. Concessional options under London terms 3/ providing 50 percent reduction in NPV.	a.b.,c.,d. 100 (of principal and interest excluding late interest). In 46 semiannual graduated payments starting 10/31/95 and ending in 4/30/2018. e.,f.,g.,h. 100 (of principal and interest excluding late interest). In 10 equal semiannual payments starting 10/31/2000 and ending 4/30/2005.	a.,b.,c.,d. 5 7 e.,f.,g.,h. 4 7	a.,b.,c.,d 22.2 e.,f.,g.,h. 9.2
b. Arrears on debts mentioned in a. above.					
c. Repayments of principal and interest due as a result of the consolidation agreements concluded according to the Agreed Minute dated 22/7/85.					
d Arrears on debts mentioned in c. above.					
e. Repayments of interest due as a result of the consolidation agreements concluded according to the Agreed Minute dated 1/3/89 (Toronto terms)					
f. Arrears on debts mentioned in e. above.					
g Repayments of interest due as a result of the consolidation agreements concluded according to the Agreed Minute dated 2/4/92 (London terms).					
h. Arrears on debts mentioned in g. above.					

Undertakings in Terms of Reference						
		Implementation of Terms of Reference				
Local currency *counter-part*	Deposit in *special* account	*Bilateral* deadline	Conditions for application of the *provision of the* Terms of Reference	Conditions for a meeting to discuss future debt *service obligations* (Goodwill clause)	Period of Fund *Arrange-ment*	Other comments
No	Yes	6/30/95	- The provisions of the Terms of Reference will continue to apply until 5/31/95 provided that the Government of the Republic of Equatorial Guinea continues to have an appropriate arrangement with the Fund, and payments referred to in the Terms of Reference are made on due dates. - The provisions will continue to apply from 6/1/95-2/28/96 provided the Board has approved before 8/31/95 a third annual arrangement under the ESAF, and payments referred to in the Terms of Reference falling due in 6/1/94-5/31/95 are made on due dates.	-- The participating creditors agreed in principle to hold a meeting to consider the matter of the Republic of Equatorial Guinea's stock of debt if for 3 years following the signing of Agreed Minute Equatorial Guinea maintains satisfactory relations with the participating or observer creditors countries, and notably fully implements all agreements signed with them and continues to have an appropriate arrangement with the Fund.	ESAF 2/2/93-2/1/96	- 100 percent of amounts of principal and interest (excluding late interest) due as at 11/30/94 and not paid on loans and credits having an original maturity of more than one year pursuant to a contract or other financial arrangements concluded after 7/1/84 will be paid as follows; - 33 percent on 6/30/95 - 33 percent on 12/31/95 - 34 percent on 2/28/96 - Late interest on post-cutoff date debt will be paid as soon as possible and, in any case, not later than 2/28/95. - The other amounts due and not paid as at 11/30/94 will be paid as soon as possible and, in any case, not later than 12/31/94 - No debt swap provision.

Source: Terms of Reference.

1/ Creditors may choose among several rescheduling options (see Table 15) The grace period and maturity on rescheduled amounts of current maturities and arrears are defined to begin at the end of the consolidation period. The grace period refers to the debt reduction option and maturity refers to the debt-service reduction option for rescheduling under Naples terms

2/ *Under the debt-service reduction option*

3/ For details of repayment terms under Naples terms, see "Debt Situation - Recent Developments in Commercial Bank and Official Bilateral Debt Restructuring", EBS/95/41 (3/17/95), Tables 3, 4 and 5.

Table 7. Guinea: Date of Agreed Minute: January 25, 1995

Chairmanship--Paris Club

Naples Terms

	Scope of Debt Relief			Repayment terms 1/	
Type of debt covered	Consolidation period	Estimated actual or actual amount consolidated (US$ millions)	Proportion of maturities covered and repayment schedule 1/2/ (In percent)	Grace period (Years)	Maturity = grace + repayment periods (Years)
a. Official and officially-guaranteed debts having an original maturity of more than one year pursuant an agreement concluded before 1/1/86 b. Arrears on debts mentioned in a. above. c. Repayments of principal and interest due as a result of the consolidation agreements concluded according to the Agreed Minute dated 4/18/86 d. Arrears on debts mentioned in c. above. e. ODA loans pursuant to an agreement concluded before 1/1/86 and from consolidations of such loans pursuant to an agreement concluded according to the Agreed Minute dated 4/18/86. f. Arrears on debts mentioned in e. above. - It is understood that debt service due as a result of the consolidation agreements concluded according to the Agreed Minutes dated 4/12/89 (Toronto Terms) and 11/18/92 (London Terms) is not affected by the reorganization.	a.,c.,e. 1/1/95-12/31/95 b.,d.,f Arrears as at 12/31/94	156 a.,b.,c.,d Concessional options under Naples terms 3/ providing 50 percent reduction in NPV. e.,f The rates and conditions of interest should be at least as favorable as the concessional rates applying to those loans.	a.,c. 100 (of principal and interest excluding late interest). In 46 semiannual graduated payments starting 1/1/96 and ending in 7/1/2018. b.,d. 100 (of principal and interest including late interest). In 46 semiannual graduated payments starting 1/1/96 and ending in 7/1/2018. e. 100 (of principal and interest excluding late interest). In 36 semiannual graduated payments starting 1/1/2008 and ending in 7/1/2025. f. 100 (of principal and interest including late interest). In 36 semiannual graduated payments starting 1/1/2008 and ending in 7/1/2025.	a.,b.,c.,d. 6.0 e.,f. 12.0	a.,b.,c.,d 22.5 e.,f. 29.5

Undertakings in Agreed Minute						
	Implementation of Agreed Minute					
Local currency counterpart	Deposit in special account	Bilateral deadline	Conditions for application of the provision of the Agreed Minute	Conditions for a meeting to discuss future debt service obligations (Goodwill clause)	Period of Fund Arrangement	Other comments
No	Yes	10/31/95	- The provisions of the Agreed Minute will continue to apply until 9/30/95 provided that the Government of the Republic of Guinea continues to have an appropriate arrangement with the Fund - The provisions will continue to apply from 10/1/95-12/31/95 provided the Board has approved before 10/1/95 a third year ESAF, and payments referred to in the Agreed Minute are made on due dates	- Continued appropriate arrangement with the Fund. - Effective arrangements with external creditors meeting the conditions of MFN and Initiative clause. Report in writing on the contents of the bilateral agreements with creditors not participating in the Paris Club. - Compliance with all conditions set out in the present Agreed Minute	ESAF II 9/23/94-9/22/96	- All debt service due and not paid as at date of present Agreed Minute and not covered by the Agreement, will be paid as soon as possible, and in any case not later than 6/30/1995 - Transfer clause: the Government will continue to guarantee within an appropriate exchange rate system the immediate and unrestricted transfer of foreign exchange counterpart of all amounts paid in local currency by the private debtors for their debt service. - Debt swap provisions on a voluntary basis, covering (i) 100 percent of ODA loans; or (ii) other credits, up to 10 percent of claims outstanding at 12/31/92 or US$10 million, whichever is higher

Source: Agreed Minute.

1/ Creditors may choose among several rescheduling options (see Table 15). The grace period and maturity on rescheduled amounts of current maturities and arrears are defined to begin at the end of the consolidation period. The grace period refers to the debt reduction option and maturity refers to the debt-service reduction option for rescheduling under Naples terms

2/ Under the debt service reduction option.

3/ The repayment terms under Naples terms involving 50 percent net present value reduction are the same as under London terms, except for the debt service reduction under a stock operation option which involves a grace period of three years under Naples terms compared to no grace period for this option under London terms. For details of the repayment terms under London terms see Table 2 and "Official Financing for Developing Countries", SM/93/121 (8/23/93), Appendix I Tables 2 and 3.

Table 8. Guinea-Bissau: Date of Agreed Minute: February 23, 1995

Chairmanship--Paris Club

Naples Terms

Scope of Debt Relief: Type of debt covered	Consolidation period	Estimated actual or actual amount consolidated (US$ millions)	Proportion of maturities covered and repayment schedule 1/2/ (In percent)	Repayment terms 1/: Grace period (Years)	Repayment terms 1/: Maturity = grace + repayment periods (Years)
a. Official and officially-guaranteed debts having an original maturity of more than one year pursuant an agreement concluded before 12/31/86, including payments due under previous bilateral consolidations, except for the Agreement dated 7/18/94 with Portugal. b. Arrears on debts mentioned in a. above. c. Repayments of principal and interest due as a result of the consolidation agreements concluded or to be concluded according to the Agreed Minute dated 10/27/87. d. Arrears on debts mentioned in c. above. e. Repayments of principal and interest due as a result of the consolidation agreements concluded or to be concluded according to the Agreed Minute dated 10/26/89 (Toronto Terms). f. Arrears on debts mentioned in e. above. g. ODA loans pursuant to an agreement concluded before 1/1/86 and from consolidations of such loans pursuant to an agreement concluded according to the Agreed Minute dated 4/18/86. h. Arrears on debts mentioned in g. above	a.,c.,e.,g 1/1/95-12/31/97 b.,d.,f.,h. Arrears at 12/31/94	195.0 a.,b.,c.,d. Concessional options under Naples terms 3/ providing 67 percent NPV reduction. e.,f. Topped up to a 67 percent NPV reduction. g.,h. The rates and conditions of interest should be at least as favorable as the concessional rate applying to those loans.	a.,c.,e. 100 (of principal and interest excluding late interest). In 66 semiannual graduated payments starting 12/31/96 and ending in 6/30/2029. b.,d.,f. 100 (of principal and interest including late interest). In 66 semiannual graduated payments starting 12/31/96 and ending in 6/30/2029. g. 100 (of principal and interest excluding late interest). In 48 semiannual graduated payments starting 12/31/2012 and ending in 6/30/2036. h. 100 (of principal and interest including late interest). In 48 semiannual graduated payments starting 12/31/2012 and ending in 6/30/2036.	a.,c.,e. 5.0 b.,d.,f. 5.0 g.,h. 15.0	a.,c.,e. 31.5 b.,d.,f. 31.5 g.,h. 38.5

Undertakings in Agreed Minute: Local currency counter-part	Deposit in special account	Implementation of Agreed Minute: Bilateral deadline	Conditions for application of the provision of the Agreed Minute	Conditions for a meeting to discuss future debt service obligations (Goodwill clause)	Period of Fund Arrange-ment	Other comments
No	*No*	*10/31/95*	- The provisions of the Agreed minute will continue to apply until 12/31/95 provided that the Government of the Republic of Guinea-Bissau continues to have an appropriate arrangement with the Fund. -The provisions will apply during 1/1/96-12/31/96 provided the Board approves before 3/31/96 second annual ESAF and payments referred to in present Agreed Minute are made on due dates. -The provisions will apply during 1/1/97-12/31/97 provided the Board approves before 3/31/97 a third annual ESAF and payments referred to in present Agreed Minute are made on due dates.	- Continued appropriate arrangement with the Fund. - Effective arrangements with external creditors meeting the conditions of MFN and initiative clause. - Report in writing on the contents of the bilateral agreements with creditors not participating in the Paris Club. - Compliance with all conditions set out in the present Agreed Minute. - The participating creditors agreed in principle to hold a meeting to consider the matter of the Republic of Guinea-Bissau's stock of debt if for 3 years following the signing of Agreed Minute Guinea-Bissau maintains satisfactory relations with the participating or observer creditors countries, and notably fully implements all agreements signed with them and continues to have an appropriate arrangement with the Fund.	ESAF 1/18/95-1/17/98	- The 7/18/94 Agreement with Portugal will be replaced by the bilateral agreement to be concluded before the bilateral deadline of 10/31/95. - 100 percent of principal and interest (including late interest) due as at 12/31/94 and not paid on post-cutoff date debt with original maturity of more than one year will be paid in 20 semiannual graduated payments starting 9/30/95 and ending 3/31/2005. - The other amounts not covered in the Agreed Minute will be paid as soon as possible and, in any case, not later than 12/31/1995. - Transfer clause: the Government will take the relevant administrative steps or extend existing measures to ensure that the private debtors will be permitted to pay into the Central Bank or its designated agents the local currency counterpart of their obligations due or falling due. - Debt swap provisions on a voluntary basis, covering: (i) 100 percent of ODA loans; or (ii) other credits, up to 10 percent of claims outstanding at 12/31/94 or US$20 million, whichever is higher.

Source: Agreed Minute

1/ Creditors may choose among several rescheduling options (see Table 15). The grace period and maturity on rescheduled amounts of current maturities and arrears are defined to begin at the end of the consolidation period. The grace period refers to the debt reduction option and maturity refers to the debt-service reduction option for rescheduling under Naples terms. For creditors choosing the debt reduction option, the maturity period will be shorter.
2/ Under the debt service reduction option.
3/ For details of repayment terms under Naples terms, see "Debt Situation - Recent Developments in Commercial Bank and Official Bilateral Debt Restructuring". EBS/95/41 (3/17/95), Tables 3, 4 and 5.

Table 9. Haiti: Date of Agreed Minute: May 30, 1995

Chairmanship--Paris Club

Naples Terms

Scope of Debt Relief				Repayment terms 1/	
Type of debt covered	Consolidation period	Estimated actual or actual amount consolidated (US$ millions)	Proportion of maturities covered and repayment schedule 1/2/ (In percent)	Grace period (Years)	Maturity = grace + repayment periods (Years)
a. Official and officially-guaranteed debts having an original maturity of more than one year pursuant an agreement concluded before 10/1/93. b. Arrears on debts mentioned in a. above. c. ODA loans pursuant to an agreement concluded before 10/1/93. d. Arrears on debts mentioned in c. above.	a.,c. 3/1/95-3/31/96 b.,d. Arrears as at 2/28/95	117.0 a.,b. Concessional options under Naples terms 3/ providing 67 percent reduction in NPV. b.,d. The rates and conditions of interest should be at least as favorable as the concessional rates applying to those loans.	a. 100 (of principal and interest excluding late interest). In 66 semi-annual graduated payments starting 3/15/96 and ending in 9/15/2028. b. 100 (of principal and interest including late interest). In 66 semi-annual graduated payments starting 3/15/96 and ending in 9/15/2028. c. 100 (of principal and interest excluding late interest). In 48 semiannual graduated payments starting 3/15/2012 and ending in 9/15/2035. d. 100 (of principal and interest including late interest). In 48 semiannual graduated payments starting 3/15/2012 and ending in 9/15/2035.	a.,b. 6.0 c.,d. 16.0	a.,b. 32.5 c.,d. 39.5

Undertakings in Agreed Minute		Implementation of Agreed Minute				
Local currency counter-part	Deposit in special account	Bilateral deadline	Conditions for application of the provision of the Agreed Minute	Conditions for a meeting to discuss future debt service obligations (Goodwill clause)	Period of Fund Arrange-ment	Other comments
No	No	11/30/95	- No	- Continued appropriate arrangement with the Fund. - Effective arrangements with external creditors meeting the conditions of MFN and Initiative clause. - Report in writing on the contents of the bilateral agreements with creditors not participating in the Paris Club. - Compliance with all conditions set out in the present Agreed Minute.	SBA 3/8/95-3/7/96	- All debt service due and not paid as at date of present Agreed Minute and not covered by the Agreement, will be paid as soon as possible, and in any case not later than 11/30/95. - Debt swap provisions on a voluntary basis, covering: (i) 100 percent of ODA loans; or (ii) other credits, up to 10 percent of claims outstanding at 2/28/95 or US$20 million, whichever is higher.

Source: Agreed Minute.

1/ Creditors may choose among several rescheduling options (see Table 15). The grace period and maturity on rescheduled amounts of current maturities and arrears are defined to begin at the end of the consolidation period. The grace period refers to the debt reduction option and maturity refers to the debt-service reduction option for rescheduling under Naples terms. For creditors choosing the debt reduction option, the maturity period will be shorter.

2/ The debt-service reduction option.

3/ For details of repayment terms under Naples terms, see "Debt Situation - Recent Developments in Commercial Bank and Official Bilateral Debt Restructuring", EBS/95/41 (3/17/95), Tables 3, 4 and 5.

Table 10. Former Yugoslav Republic (FYR) of Macedonia: Date of Agreement: July 17, 1995 1/

Chairmanship--Paris Club

Scope of Debt Relief				Repayment terms 2/	
Type of debt covered	Consolidation period	Estimated actual of actual amount consolidated (US$ millions)	Proportion of maturities covered and repayment schedule (In percent)	Grace period (Years)	Maturity = grace + repayment periods (Years)
a. Official and officially-guaranteed debts with an original maturity of more than one year, pursuant to a contract or financial arrangement concluded before 12/2/82 (see other comments below). b. Arrears on debts mentioned in a. above. c. Repayments of principal and interest due from the consolidation agreements concluded according to the Agreed Minutes dated 5/22/84, 5/24/85, 5/13/86 and 7/13/88 (see other comments below). d Arrears on debts mentioned in c. above. - For implementation of Agreement, debts owed or guaranteed by former socially-owned legal entities located on the FYR of Macedonia, regardless of their present ownership status, are included in the allocated debt	a.,c. 7/1/95-6/30/96 b ,d. Arrears as at 6/30/95	290	a ,b.,c.,d 100 (of principal and interest, excluding late interest). Repayments will be made in 24 semiannual payments starting 7/31/1999 and ending 1/31/2011--payments through 1/31/2002 will be graduated, and will be roughly constant starting 7/31/2002 and ending 1/31/2011.	a.,b ,c.,d 3.1	a ,b.,c ,d 14 6

Undertakings in the Agreement						
		Implementation of the Agreement				
Local currency counter-part	Deposit in special account	Bilateral deadline	Conditions for application of the provision of the Agreement	Conditions for a meeting to discuss future debt service obligations (Goodwill clause)	Period of Fund Arrange-ment	Other comments
Yes	No	12/31/95 In case that the conclusion of bilateral agreements is delayed beyond this date because of the absence of agreement on the reconciliation of bilaterally agreed debts not part of the "allocated debt", this will not affect the validity of the present Agreement and other bilateral agreements.	- The provisions of the Agreement will continue to apply provided that the Government of the FYR Macedonia continues to have an arrangement with the Fund in the upper credit tranches.	- Continued appropriate arrangement with the Fund. - Effective arrangements with external creditors meeting the conditions of MFN and Initiative clause. - Report in writing on the contents of the bilateral agreements with creditors not participating in the Paris Club - Compliance with all conditions set out in the present Agreement.	SBA 5/5/95-6/4/96	- The rescheduling covered; (i) debts of the former Socialist Federal Republic of Yugoslavia (SFRY) owed or guaranteed by entities located on FYR Macedonia territory, including Government entities legally authorized to act on their behalf or banks when relevant ("allocated debt"); and (ii) 5 4 percent of the debts owed or guaranteed by the former SFRY and not immediately attributable to any successor Republic ("non allocated debt"). - Late interest on debts covered in the present Agreement will be paid in 8 equal semiannual installments starting 7/31/98 and ending 1/31/2002 - 100 percent of principal and interest (including late interest) due as at 6/30/95 and not paid, on post-cutoff date debt will be paid in 8 equal semiannual installments starting 7/31/98 and ending 1/31/2002 - Other amounts due and not paid as at date of current Agreement will be paid as soon as possible and in any case not later than 11/30/95 - The Government will continue to allow unrestricted and immediate access to foreign exchange required for servicing private sector debts owed to Paris Club creditors.

Source Agreement between FYR Macedonia and Paris Club creditors

1/ Agreement was reached on the terms and conditions for a rescheduling agreement, but no Agreed Minute was signed.
2/ For the purpose of this paper, grace period and maturity on rescheduled amounts of current maturities are defined to being at the end of the consolidation period

Table 11. Mauritania: Date of Agreed Minute: June 28, 1995

Chairmanship--Paris Club

Naples Terms

Scope of Debt Relief				Repayment terms 1/	
Type of debt covered	Consolidation period	Estimated actual or actual amount consolidated (US$ millions)	Proportion of maturities covered and repayment schedule 1/2/ (In percent)	Grace period (Years)	Maturity = grace + repayment periods (Years)
a. Official and officially-guaranteed debts having an original maturity of more than one year pursuant to an agreement concluded before 12/31/84. b. Repayments of principal and interest due as a result of the consolidation agreements concluded according to the Agreed Minutes dated 5/16/86 and 6/15/87. c. Repayments of principal and interest, for two creditors interest only, due as a result of the consolidation agreements concluded according to the Agreed Minutes dated 6/19/89 (Toronto Terms). d. Repayments of principal and interest due as a result of the consolidation agreements concluded according to the Agreed Minutes dated 1/26/93 (London Terms). These amounts will not be subject to further reorganization. e. ODA loans pursuant to an agreement concluded before 12/31/84 and from consolidations of such loans pursuant to an agreement concluded according to the Agreed Minutes dated 5/16/86, 6/15/87, and 6/19/89.	a.,b.,e. 1/1/95-12/31/97 c.,d. 1/1/95-12/31/96	66.0 a.,b. Concessional options under Naples terms 3/ providing 67 percent NPV reduction. c. Topped up to achieve a 67 percent NPV reduction (for two creditors, a topping up to 50 percent NPV reduction applied only to interest). e. The rates and conditions of interest should be at least as favorable as the concessional rate applying to those loans.	a.,b. 100 (of principal and interest excluding late interest). In 66 semiannual graduated payments starting 12/31/96 and ending in 6/30/2029. c. 100 (of principal and interest, for two creditors interest only, excluding late interest). In 66 semiannual graduated payments starting 12/31/96 and ending in 6/30/2029. d. 100 (of principal and interest excluding late interest). In 14 semiannual graduated payments starting 6/30/97 and ending in 12/31/2003. e. 100 (of principal and interest excluding late interest). In 48 semiannual graduated payments starting 12/31/2012 and ending in 6/30/2036.	a.,b. 5.0 c. 6.0 d. 0.5 e. 15.0	a.,b. 31.5 c. 32.5 d. 7.0 e. 38.5

Undertakings in Agreed Minute						
			Implementation of Agreed Minute			
Local currency counter-part	Deposit in special account	Bilateral deadline	Conditions for application of the provision of the Agreed Minute	Conditions for a meeting to discuss future debt service obligations (Goodwill clause)	Period of Fund Arrange-ment	Other comments
Yes	No	12/31/95	- The provisions of the Agreed minute will continue to apply until 3/31/96 provided that the Government of the Islamic Republic of Mauritania continues to have an appropriate arrangement with the Fund. -The provisions will apply during 4/1/96-3/31/97 provided the Board approves before 3/31/96 second annual ESAF and payments referred to in present Agreed Minute are made on due dates. -The provisions will apply during 4/1/97-12/31/97 provided the Board approves before 3/31/97 a third annual ESAF and payments referred to in present Agreed Minute are made on due dates.	- Continued appropriate arrangement with the Fund. - Effective arrangements with external creditors meeting the conditions of MFN and initiative clause. - Report in writing on the contents of the bilateral agreements with creditors not participating in the Paris Club. - Compliance with all conditions set out in the present Agreed Minute - The participating creditors agreed in principle to hold a meeting to consider the matter of the Islamic Republic of Mauritania's stock of debt if as at 12/31/97, Mauritania has maintained satisfactory relations with the participating creditors countries, and notably fully implements all agreements signed with them and continues to have an appropriate arrangement with the Fund.	ESAF 1/25/95-1/24/98	- All debt service due and not paid as at the date of present Agreed Minute and not covered in the Agreed Minute will be paid as soon as possible and, in any case, not later than 10/31/1995. - The Government will guarantee the immediate and unrestricted transfer of the foreign exchange counterpart of all amounts paid in local currency by the private debtors in Mauritania. - Debt swap provisions on a voluntary basis, covering: (i) 100 percent of ODA loans; or (ii) other credits, up to 10 percent of claims outstanding at 12/31/92 or US$10 million, whichever is higher.

Source: Agreed Minute.

1/ Creditors may choose among several rescheduling options (see Table 15). The grace period and maturity on rescheduled amounts of current maturities and arrears are defined to begin at the end of the consolidation period. The grace period refers to the debt reduction option and maturity refers to the debt-service reduction option for rescheduling under Naples terms. For creditors choosing the debt reduction option, the maturity period will be shorter.

2/ The debt-service reduction option.

3/ For details of repayment terms under Naples terms, see "Debt Situation - Recent Developments in Commercial Bank and Official Bilateral Debt Restructuring", EBS/95/41 (3/17/95), Tables 3, 4 and 5.

Table 12. Nicaragua: Date of Agreed Minute: March 22, 1995

Chairmanship-Paris Club

Naples Terms

Scope of Debt Relief				Repayment terms 1/	
Type of debt covered	Consolidation period	Estimated actual or actual amount consolidated (US$ millions)	Proportion of maturities covered and repayment schedule 1/ (In percent)	Grace period (Years)	Maturity = grace + repayment periods (Years)
a. Official and officially-guaranteed debts having an original maturity of more than one year pursuant to an agreement concluded before 11/1/88. b. Arrears on debts mentioned in a. above. c. Repayments of principal and interest due as a result of the consolidation agreements concluded or to be concluded pursuant to specified amounts in the Agreed Minute dated 12/17/91 (London terms). d. ODA loans pursuant to an agreement concluded before 11/1/88. e. Arrears on debts mentioned in d. above. --Excludes specified debt service due from consolidation agreements concluded or to be concluded according to the Agreed Minute of 12/17/91 (London terms).	a.,d. 4/1/95-6/30/97 c. 8/1/95-12/31/96 b.,e. Arrears at 3/31/95	848 0 a.,b. Concessional options under terms 2/ providing 67 percent NVP reduction. c. Reprofiled nonconcessionally. d.,e. Rates and conditions of interest should be as favorable as the concessional rate applying to those loans.	a. 100 (of principal and interest excluding late interest). In 34 semiannual graduated payments starting 11/15/2002 and ending in 5/15/2019. b. 100 (of principal and interest including late interest). In 34 semiannual graduated payments starting 11/15/2002 and ending in 5/15/2019. c. 100 (of principal and interest excluding late interest). In 8 equal semiannual payments starting 3/31/97 and ending 9/30/2000. d. 100 (of principal and interest excluding late interest). In 48 semiannual graduated payments starting 11/15/2012 and ending in 5/15/2036. e. 100 (of principal and interest including late interest). In 48 semiannual graduated payments starting 11/15/2012 and ending in 5/15/2036. --Interest accrued to two creditors from 4/1/95-12/31/96 inclusive--moratorium interest--on consolidated amounts will be paid in 8 equal semiannual installments starting 3/31/97 and ending 9/30/2000.	a.,b. 5.4 c. 0.2 d.,e. 15.4	a.,b. 21 9 c. 3 8 d.,e 38 9

Undertakings in Agreed Minute						
	Implementation of Agreed Minute					
Local currency counter-part	Deposit in special account	Bilateral deadline	Conditions for application of the provision of the Agreed Minute	Conditions for a meeting to discuss future debt service obligations (Goodwill clause)	Period of Fund Arrange-ment	Other comments
No	No	10/31/95	- The provisions of the Agreed minute will continue to apply until 12/31/95 provided that the Government of the Republic of Nicaragua continues to have an appropriate arrangement with the Fund. -The provisions will apply during 1/1/96-12/31/96 provided the Board has approved before 12/31/95 second annual ESAF and payments referred to in present Agreed Minute are made on due dates -The provisions will apply during 1/1/97-6/30/97 provided the Board has approved before 12/31/96 third annual ESAF and payments referred to in present Agreed Minute are made on due dates.	- Continued appropriate arrangement with the Fund. - Effective arrangements with external creditors meeting the conditions of MFN and initiative clause - Report in writing on the contents of the bilateral agreements with creditors not participating in the Paris Club. - Compliance with all conditions set out in the present Agreed Minute. - The participating creditors agreed in principle to hold a meeting to consider the matter of Nicaragua's stock of debt if as at 6/30/97, Nicaragua maintains satisfactory relations with the participating or observer creditors countries, and notably fully implements all agreements signed with them as from 12/17/91 and continues to have an appropriate arrangement with the Fund.	ESAF 6/24/94-6/23/97	- The other amounts due and not paid as at 3/22/95 and not covered in the Agreed Minute will be paid as soon as possible and, in any case, not later than 10/31/1995 - The Government guarantees the immediate and unrestricted transfer of the foreign exchange counterpart of all amounts paid in local currency by the private debtors on their debt service, for which the corresponding payments in local currency have been deposited in the Central Bank on or after 12/31/91. - Debt swap provisions on a voluntary basis, covering: (i) 100 percent of ODA loans, or (ii) other credits, up to 10 percent of claims outstanding at 12/31/91 or up to US$20 million, whichever is higher.

Source Agreed Minute

1/ Creditors may choose among several rescheduling options (see Table 15) The grace period and maturity on rescheduled amounts of current maturities and arrears are defined to begin at the end of the consolidation period The grace and maturity period refers to the debt reduction option for rescheduling under Naples terms All creditors with commercial credits chose the debt reduction option, except for two creditors who chose the nonconcessional long maturities option

2/ For details of repayment terms under Naples terms, see "Debt Situation - Recent Developments in Commercial Bank and Official Bilateral Debt Restructuring", EBS/95/41 (3/17/95), Tables 3, 4 and 5

Table 13. Russian Federation: Date of Agreement: June 3, 1995

Scope of Debt Relief				Repayment terms 1/	
Type of debt covered	Consolidation period	Estimated actual or actual amount consolidated (US$ millions)	Proportion of maturities covered and repayment schedule (In percent)	Grace period (Years)	Maturity = grace + repayment periods (Years)
a. Official and officially-guaranteed debts having an original maturity of more than one year pursuant to a contract or other financial arrangement concluded with the Government of FSU, or any other legally authorized entity, or covered by its guarantee, pursuant an agreement concluded before 1/1/91; to the extent covered by the Declaration acknowledging the debt to foreign creditors of the FSU, signed on 4/2/93, which forms an integral part of the agreement.	a. 1/1/95-12/31/95	6,400	a. 100 (of principal and interest excluding late interest). In 26 semiannual graduated payments starting 10/31/98 and ending 4/30/2011.	a. 2.8	a. 15.3

Undertakings in Agreement						
	Implementation of Agreement					
Local currency counter-part	Deposit in special account	Bilateral deadline	Conditions for application of the provision of the Agreement	Conditions for a meeting to discuss future debt service obligations (Goodwill clause)	Period of Fund Arrange-ment	Other comments
No	No	11/30/95	- Provisions of the Agreement will apply provided the Russian Federation fully implements the adjustment program with IMF approved on 4/11/95. - Before 11/30/95, Russia takes all necessary steps to complete reconcil-iation of debts consolidated pursuant to agree-ments dated 4/2/93 and 6/4/94 and signs before 6/30/95 all remaining bilateral agreements under the agreement dated 6/4/94. - Russia has made, on the due dates, the repayments of the non-consolidated amounts (see other comments).	- Russia and participating creditors countries undertook to negotiate with a view to agreeing on a comprehensive rescheduling of the debts owed by Russia, with the aim of supporting Russia's macro-economic stabilization, avoiding the need for further rescheduling and contributing to Russia's effort to regain access to international capital markets. Negotiations will begin in the fall 1995, provided that: 1. Russia continues to implement the SBA approved on 4/11/95. 2. All payments due to Participating creditors are made; 3. Russia has made substantial progress in concluding the bilateral agreements implementing this Agreement. --Entry into force of the comprehensive agreement would be contingent on approval by Board of an EFF or other appropriate successor arrange-ments in the upper credit tranches supporting a medium-term program, and compliance with all conditions set out in this Agreement.	SBA 4/11/95-4/10/96	- 100 percent principal and interest (excluding late interest) due during 1/1/95-12/31/95 on debt contracted between 1/1/91-12/31/91, was deferred and will be paid in 16 semiannual graduated payments starting 10/31/98 and ending 4/30/2006. - 100 percent principal (excluding late interest) due from 1/1/95-12/31/95 as a result of the consolidation agreements concluded on debt originally short-term and due as at 12/31/92 pursuant to the 4/2/93 agreement and not paid will be deferred and paid in 10 equal semiannual installments starting on 10/31/97 and ending 4/30/2002. - 100 percent principal (excluding late interest) due from 1/1/95-12/31/95 as a result of the consolidation agreements concluded on debt contracted in 1991 and due as at 12/31/92 pursuant to the 4/2/93 agreement and not paid will be deferred and paid in 16 semiannual graduated installments starting on 10/31/97 and ending 4/30/2005. - 40 percent of interest due during 1/1/95-12/31/95 on specified debt from the 4/2/93 agreement and 33.33 percent of interest due during 4/1/95-12/31/95 on specified debt from the 6/4/94 agreement will be deferred and paid in 10 equal semiannual payments starting 10/31/98 and ending 4/30/2003. - 100 percent of interest from 1/1/95-3/31/95 and 1/1/95-12/31/95 on certain specified amounts under the 6/4/94 agreement will be paid on due dates. - All other payments due and not covered by the present Agreement will be paid on due dates. Arrears as of the date of the present Agreement will be paid as soon as possible and not later than 7/15/95.

Source. Agreement with the Government of the Russian Federation.

1/ For the purpose of this paper, grace period and maturity on rescheduled amounts of current maturities are defined to begin at the end of the consolidation period.

Table 14. Senegal: Date of Agreed Minute: April 20, 1995

Chairmanship--Paris Club

Naples Terms

Scope of Debt Relief				Repayment terms 1/	
Type of debt covered	Consolidation period	Estimated actual or actual amount consolidated (US$ millions)	Proportion of maturities covered and repayment schedule 1/2/ (In percent)	Grace period (Years)	Maturity = grace + repayment periods (Years)
a. Official and officially-guaranteed debts having an original maturity of more than one year pursuant to an agreement concluded before 1/1/83.	a.,c.,e.,f. 4/1/95-8/31/97	169.0	a.,c. 100 (of principal and interest excluding late interest). In 66 semi-annual graduated payments starting 12/15/96 and ending in 6/15/2029.	a.,b.,c.,d. 5.3	a.,b.,c.,d. 31.8
b. Arrears on debts mentioned in a. above.	b.,d.,g. Arrears at 3/31/95	a.,b.,c.,d. Concessional options under terms 3/ providing 67 percent NPV reduction.		e. 1.3	e. 8.8
c. Repayments of principal and interest due as a result of the consolidation agreements concluded or to be concluded according to the Agreed Minutes dated 11/21/86, and 11/17/87.			b.,d. 100 (of principal and interest including late interest). In 66 semi-annual graduated payments starting 12/15/96 and ending in 6/15/2029.	f.,g. 15.3	f.,g 38.8
d. Arrears on debts mentioned in c. above.			e. 100 (of principal and interest excluding late interest). In 16 graduated semiannual payments starting 12/15/98 and ending 6/15/2006.		
e. Repayments of principal and interest due as a result of the consolidation agreements concluded or to be concluded according to the Agreed Minutes dated 1/24/89, 2/12/90, and 6/21/91 (all Toronto terms).					
f. ODA loans pursuant to an agreement concluded before 1/1/83, and according to Agreed Minutes dated 11/21/86, and 11/17/87			f. 100 (of principal and interest excluding late interest). In 48 semi-annual graduated payments starting 12/15/2012 and ending 6/15/2036.		
g. Arrears on debts mentioned in f. above.			g. 100 (of principal and interest including late interest). In 48 semi-annual graduated payments starting 12/15/2012 and ending 6/15/2036.		
--Excludes debt service due from consolidation agreements concluded according to the Agreed Minute of 3/3/94 (London terms), except on arrears on post-cutoff date debt at 3/31/95 (see other comments).					

Undertakings in Agreed Minute						
		Implementation of Agreed Minute				
Local currency counterpart	Deposit in special account	Bilateral deadline	Conditions for application of the provision of the Agreed Minute	Conditions for a meeting to discuss future debt service obligations (Goodwill clause)	Period of Fund Arrangement	Other comments
No	No	11/30/95	- The provisions of the Agreed minute will continue to apply until 12/31/95 provided that the Government of the Republic of Senegal continues to have an appropriate arrangement with the Fund. - The provisions will apply during 1/1/96-12/31/96 provided the Board approves before 12/31/95 second annual ESAF and payments referred to in present Agreed Minute are made on due dates. - The provisions will apply during 1/1/97-12/31/97 provided the Board approves before 12/31/96 third annual ESAF and payments referred to in present Agreed Minute are made on due dates.	- Continued appropriate arrangement with the Fund. - Effective arrangements with external creditors meeting the conditions of MFN and initiative clause. - Report in writing on the contents of the bilateral agreements with creditors not participating in the Paris Club. - Compliance with all conditions set out in the present Agreed Minute. - The participating creditors agreed in principle to hold a meeting to consider the matter of Senegal's stock of debt if as at 8/31/97, Senegal maintains satisfactory relations with the participating or observer creditors countries, and notably fully implements all agreements signed with them and continues to have an appropriate arrangement with the Fund.	ESAF 8/29/94-8/28/97	- The reorganization will not apply to debts contracted by Air Afrique and by the "Agence pour la Securite de la Navigation Aeriene" and which are guaranteed jointly by the Republic of Senegal and other Governments. - 100 percent of principal and interest due on 3/31/95 on arrears on post-cutoff date debt pursuant to the 3/3/94 agreement. In 6 semiannual graduated payments starting 5/31/95 and ending on 7/1/97. These amounts will not be subject to any further reorganization. - The other amounts not covered in the Agreed Minute will be paid as soon as possible and, in any case, not later than 9/30/1995. - Debt swap provisions on a voluntary basis, covering: (i) 100 percent of ODA loans; or (ii) other credits, up to 10 percent of claims outstanding at 6/30/91 or US$20 million, whichever is higher.

Source: Agreed Minute

1/ Creditors may choose among several rescheduling options (see Table 15). The grace period and maturity on rescheduled amounts of current maturities and arrears are defined to begin at the end of the consolidation period. The grace period refers to the debt reduction option and maturity refers to the debt-service reduction option for rescheduling under Naples terms. For creditors choosing the debt reduction option, the maturity period will be shorter.

2/ The debt-service reduction option.

3/ For details of repayment terms under Naples terms, see "Debt Situation - Recent Developments in Commercial Bank and Official Bilateral Debt Restructuring", EBS/95/41 (3/17/95), Tables 3, 4 and 5.

Table 15. Togo: Date of Agreed Minute: February 23, 1995

Chairmanship--Paris Club

Naples Terms

Scope of Debt Relief: Type of debt covered	Consolidation period	Estimated actual or actual amount consolidated (US$ millions)	Proportion of maturities covered and repayment schedule 1/2/ (In percent)	Repayment terms 1/: Grace period (Years)	Maturity = grace + repayment periods (Years)
a. Repayments of principal and interest due as a result of the consolidation agreements concluded according to the Agreed Minutes dated 6/6/84, 6/24/85, and 3/22/88. b. Arrears on debts mentioned in a. above. c. Repayments of principal and interest due as a result of the consolidation agreements concluded according to the Agreed Minutes dated 6/20/89, and 7/9/90 (all Toronto terms). d. Arrears on debts mentioned in c. above. e. Repayments of principal and interest due as a result of the consolidation agreements with Belgium, Netherlands and Spain concluded according to the Agreed Minutes dated 6/20/89, and 7/9/90 (all Toronto terms). f Arrears on debts mentioned in e. above. -- Debt service due from the consolidation agreements concluded according to the Agreed Minute dated 6/19/92 (London terms) is not affected by the present reorganization except for some specified amounts in the 1992 agreement and not paid (see other comments below).	a.,c.,e. 1/1/95-9/30/97 b.,d.,f. Arrears at 12/31/94	237.0 a.,b. Concessional options under Naples terms 3/ providing 67 percent NPV reduction. c.,e. Reprofiled nonconcessionally. d.,f. Topped up to a 67 percent NPV reduction.	a. 100 (of principal and interest excluding late interest). In 66 semiannual graduated payments starting 11/15/96 and ending in 5/15/2029. b.,d.,f. 100 (of principal and interest including late interest). In 66 semiannual graduated payments starting 11/15/96 and ending in 5/15/2029. c.,e. 100 (of principal and interest excluding late interest). In 34 semiannual graduated payments starting 11/30/2002 and ending in 5/15/2019.	a.,b.,d.,f. 5.1 c.,e. 5.1	a.,b.,d.,f. 31.6 c.,e. 21.6

Local currency counterpart	Deposit in special account	Bilateral deadline	Undertakings in Agreed Minute / Implementation of Agreed Minute: Conditions for application of the provision of the Agreed Minute	Conditions for a meeting to discuss future debt service obligations (Goodwill clause)	Period of Fund Arrangement	Other comments
No	No	10/31/95	- The provisions of the Agreed minute will continue to apply until 12/31/95 provided that the Government of the Republic of Togo continues to have an appropriate arrangement with the Fund. - The provisions will apply during 1/1/96-12/31/96 provided the Board approves before 12/31/95 second annual ESAF and payments referred to in present Agreed Minute are made on due dates. - The provisions will apply during 1/1/97-9/30/97 provided the Board approves before 12/31/96 third annual ESAF and payments referred to in present Agreed Minute are made on due dates.	- Continued appropriate arrangement with the Fund. - Effective arrangements with external creditors meeting the conditions of MFN and initiative clause. - Report in writing on the contents of the bilateral agreements with creditors not participating in the Paris Club. - Compliance with all conditions set out in the present Agreed Minute - The participating creditors agreed in principle to hold a meeting to consider the matter of Togo's stock of debt if for 3 years following the signing of this Agreed Minute Togo maintains satisfactory relations with the participating or observer creditors countries, and notably fully implements all agreements signed with them and continues to have an appropriate arrangement with the Fund.	ESAF 9/16/94-9/15/97	- The reorganization will not apply to debts contracted by the "Ciments de l'Afrique de l'Ouest (C.I.M.A.O.) and which are guaranteed jointly by the Republic of Togo and other Governments. - 100 percent of principal and interest (including late interest) due as at 12/31/94 and not paid on specified amounts pursuant to the Agreed Minute dated 6/19/92. To be paid in 16 semiannual graduated payments starting 6/30/97 and ending on 12/31/2004. - Other arrears not covered in the Agreed Minute will be paid as soon as possible and, in any case, not later than 10/31/1995. - Debt swap provisions on a voluntary basis, covering: (i) 100 percent of ODA loans; or (ii) other credits, up to 10 percent of claims outstanding at 6/30/92 or US$20 million, whichever is higher.

Source Agreed Minute

1/ Creditors may choose among several rescheduling options (see Table 15). The grace period and maturity on rescheduled amounts of current maturities and arrears are defined to begin at the end of the consolidation period. The grace period refers to the debt reduction option and maturity refers to the debt-service reduction option for rescheduling under Naples terms. For creditors choosing the debt reduction option, the maturity period will be shorter.

2/ Under the debt-service reduction option

3/ For details of repayment terms under Naples terms, see "Debt Situation - Recent Developments in Commercial Bank and Official Bilateral Debt Restructuring", EBS/95/41 (3/17/95), Tables 3, 4 and 5.

Table 16. Uganda: Date of Terms of Reference: February 20, 1995

Chairmanship–Paris Club

Naples Terms

Type of debt covered	Scope of Debt Relief: Consolidation period	Scope of Debt Relief: Estimated actual or actual amount consolidated (US$ millions)	Scope of Debt Relief: Proportion of maturities covered and repayment schedule 1/2/ (In percent)	Repayment terms 1/: Grace period (Years)	Repayment terms 1/: Maturity = grace + repayment periods (Years)
a. All payments due under the consolidation agreements concluded or to be concluded according to the Agreed Minute dated 6/19/87. b. Arrears on debts mentioned in a. above. c. All payments due under the consolidation agreements concluded or to be concluded according to the Agreed Minute dated 1/26/89 (Toronto terms). d. Arrears on debts mentioned in c. above. –Debt service due from the consolidation agreements concluded or to be concluded according to the Agreed Minute dated 6/17/92 (London terms) is not affected by the present reduction and reorganization.	a.,b.,c.,d. Stock of Debt Reduction and Reorganization which will apply as from 2/1/95.	110.0 a.,b. Concessional options under Naples terms 3/ providing 67 percent NPV reduction. c.,d. Topped up to a 67 percent NPV reduction.	a.,b.,c.,d. 100 (of "Relevant Principal"– i.e., total amount of principal outstanding as of 2/1/95, including principal and interest in arrears, including late interest). Repayments to be made in 66 semiannual graduated payments starting 8/1/98 and ending in 1/31/2028.	a.,b.,c.,d. 6.5	a.,b.,c.,d. 33.5

Undertakings in Terms of Reference: Local currency counterpart	Implementation of Terms of Reference: Deposit in special account	Bilateral deadline	Conditions for application of the provision of the Terms of Reference	Conditions for a meeting to discuss future debt service obligations (Goodwill clause)	Period of Fund Arrangement	Other comments
No	No	10/31/95	- The Debt Reduction and Reorganization will *enter into force* when all bilateral agreements for the implementation of the Agreed Minute dated 6/17/92 are concluded.	- No goodwill clause. - The Government of the *Republic of Uganda* undertakes to pay reorganized debts according to the present Terms of Reference (TOR) and agrees that these debts will not be restructured or reduced further. - If Participating creditor Countries determine that the *provisions for comparability* of treatment between all external creditors are not substantially fulfilled, or that Uganda has not met its payments obligations as specified in the present TOR, the provisions of the reduction and reorganization will become null and void.	ESAF 9/6/94-9/5/97	- Participating creditor countries decided to treat Uganda's stock of debt because since 6/17/92 (Uganda's first rescheduling on London terms), *Uganda had maintained* satisfactory relations with Participating Creditors Countries and continued to have an appropriate arrangement with IMF. --Creditors considered that projections of the program supported by IMF under ESAF evidenced Uganda's capacity to fully service its debt to Participating Creditor Countries with no further treatment to be applied after the terms of the Agreement are implemented. - All debt service due and not paid as at the date of the present TOR, and not covered by the TOR will be paid as soon as possible and, in any case, not later than 7/31/1995. - Debt swap provisions on a voluntary basis, covering: (i) 100 percent of ODA loans; or (ii) other credits, up to 10 percent of claims outstanding at 6/30/92 or US$20 million, whichever is higher.

Source: Terms of Reference.

1/ Creditors may choose among several rescheduling options (see Table 15). The grace period and maturity on rescheduled amounts of current maturities and arrears are defined to begin at the end of the consolidation period. The grace period refers to the debt reduction option and maturity refers to the debt-service reduction option for rescheduling under Naples terms. For creditors choosing the debt reduction option, the maturity period will be shorter.

2/ The debt-service reduction option.

3/ For details of repayment terms under Naples terms, see "Debt Situation - Recent Developments in Commercial Bank and Official Bilateral Debt Restructuring", EBS/95/41 (3/17/95), Tables 3, 4 and 5.