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August 16, 1990

To: Members of the Executive Board

From: The Secretary

Subject: Management of the Debt Situation

Attached for consideration by the Executive Directors is a paper on management of the debt situation, which is tentatively scheduled for discussion on Friday, September 7, 1990. Concluding remarks appear on pages 14 and 15.

Mr. G. G. Johnson (ext. 8779) or Mr. Leipold (ext. 8381) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

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INTERNATIONAL MONETARY FUND

Management of the Debt Situation

Prepared by the Exchange and Trade Relations Department

(In consultation with Other Departments)

Approved by J.T. Boorman

August 14, 1990

Contents

I. Introduction

This paper reviews recent developments and prospects under the debt strategy and addresses certain issues regarding the involvement of the Fund. The period since the Board's last review in April 1990 has been relatively short, and there have been no major changes in circumstances requiring reconsideration of the debt strategy, including the main guidelines for the Fund's involvement. There have, nevertheless, been some positive developments that merit attention, including with respect to spontaneous capital flows, bank restructuring packages, and initiatives regarding debt to bilateral creditors. On the other hand, the slow pace of negotiations on bank financing packages in many cases has placed strains on the Fund's policy on financing assurances, while prospects for market access and a return to external viability with growth remain highly uncertain for many low-income and lower middle-income countries.

As observed by Executive Directors in the April 1990 review of the debt strategy, it remains essential that heavily indebted developing countries adopt strong adjustment policies supported by appropriate structural measures, including measures to foster private capital inflows and the repatriation of flight capital. 1/ Equally important, these efforts need to receive prompt financial support from external creditors and to be encouraged by the maintenance of a sound international economic environment. The Fund will continue to play a central role in this process, and the management and staff will continue to consult and coordinate closely with counterparts in the World Bank.

Section II of this paper reviews recent country experience under the debt strategy, including developments regarding spontaneous private flows, progress in bank financing packages, and official bilateral debt. Section III considers implications for the Fund's policy on financing assurances and discusses two other operational questions that arise in connection with the Fund's support for debt and debt service reduction. These questions relate to the possible "carry-over" of unutilized set-asides and the disposition of augmented resources used for collateralization and subsequently released. Section IV offers some concluding remarks. An annex discusses recent experience with, and certain issues related to, official multilateral debt restructuring. A background paper on recent developments in capital market financing for developing countries will be circulated shortly.

The discussion of this paper by the Executive Board will serve as a basis for the Managing Director's report on the debt situation to the September 1990 meeting of the Interim Committee.

1/ See Summing Up by the Chairman--Management of the Debt Situation, Executive Board Meeting 90/56, April 11, 1990.

II. Recent Experience

This section reviews recent experience, looking in turn at private and official financing.

1. Private sector financing

a. Spontaneous flows

At the time of the announcement in early 1989 of initiatives to provide official support for debt and debt-service reduction, concerns were expressed that countries that had remained current on debt-service obligations and maintained their access to international capital markets might find such access restricted owing to market fears that these countries might interrupt debt-service payments and seek a restructuring of their commercial debt. However, recent experience continues to suggest that these early concerns about "contamination" of market borrowers have generally not been borne out. Spontaneous flows related to international bank lending and bond issues to developing countries with market access have been broadly maintained over the past year, while there has been no systematic tightening of terms and conditions for market borrowers that have sustained appropriate economic policies. 1/

Nevertheless, credit markets have remained sensitive to changing prospects of individual countries, and have responded quickly where adverse developments have been perceived. For example, China's market access was curtailed for a period following political disturbances in mid-1989, and renewed lending in 1990 has been at higher spreads. Eastern European countries also suffered a loss of market access in early 1990, in response to a number of events, including uncertainties about political developments and their economic implications and the suspension of debt-service payments by Bulgaria. In addition, shifts in market sentiment toward Hungary were exacerbated by the large balance of payments deficit in 1989 and by concerns about the implications of changes in the provisioning guidelines for banks in the United Kingdom.

Against this background, countries that have maintained market access have needed to be careful to adapt their debt-management policy to minimize market strains and to follow sound economic policies more generally. A welcome development of the past year has been a diversification of the sources of international capital market financing. Of particular note has been a rapid growth of "country

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1/ There has been some increase in the average spread observed on syndicated bank loans to developing countries, but this has reflected a shift in the composition of borrowers toward countries viewed by the market as representing higher risks and an increased share of borrowing by the private, rather than the public, sector. See Section II.3 of the background paper.

funds" that channel portfolio equity investments to specific countries or regions; Asian and Eastern European countries have benefited in particular from such inflows. On the borrower side, risk management techniques have included increased use of the swaps market (including commodity swaps), diversification of currencies borrowed, and increased use of hedging instruments.

With regard to countries with debt servicing difficulties that previously had little or no access to international capital markets, the last year has seen a limited revival of spontaneous flows to some middle-income countries with mainly bank debt that have sustained financial adjustment and structural reforms and are pursuing market-related bank debt restructuring and conversion programs. 1/ Mexican, Venezuelan and Uruguayan borrowers have succeeded recently in raising funds in international bond markets, albeit in limited amounts. Yields on these borrowings were initially comparable to those available in the U.S. junk bond market, but have declined in recent months as perceptions of risk have improved. In addition, a number of countries--including Chile, Mexico, and the Philippines--have received increased equity portfolio inflows, mainly channeled through country funds. With regard to bank lending, Chile has obtained financing in the past year through project lending and trade financing, while Mexican and Venezuelan borrowers have received funding through syndicated credits involving commodity swaps. At the same time, these countries have not been able to obtain general purpose bank financing, and discounts on bank claims in secondary markets, though reduced from early 1989, remain substantial.

This limited revival of access to capital markets reflects to a large extent the efforts of these countries to improve their creditworthiness, facilitated by changes in the international investment environment. Increasingly sophisticated portfolio management, particularly by institutional investors, has led to a globalization of portfolios and interest in high-yielding international investments. This process has been encouraged by the development of the international private placement market and of international investment funds for both bonds and equities, and--specifically with regard to the bond market--increased market depth and liquidity following the Mexico bond exchanges. At the same time, there has been a "tiering" of pricing in credit markets to distinguish instruments that are believed by investors to offer lower risks, either through collateralization/linkage to repayment capacity or reflecting the superior debt-servicing record on these instruments relative to that on commercial bank debt. This process has allowed a restoration of access in some market segments, while others (primarily syndicated bank lending) remain closed.

1/ These developments are described in more detail in Section II of the background paper.

This revival of capital market flows to a few heavily indebted middle-income countries is still at an early stage, it has proceeded at different rates in different market segments, and the amounts involved are relatively limited. The determinants of these flows are not fully understood, and there are questions about the potential scope for further revival, particularly with respect to bank lending, even for these relatively successful cases. As regards most lower middle- and low-income countries with mainly official debt, it should be emphasized that prospects for a return to the market remain bleak. The staff intends to study further the factors influencing spontaneous private flows and the likely level and modalities of funding that may be available in the future, including implications for policies in both debtor and creditor countries, in the context of the next international capital markets study.

b. Commercial bank financing packages

To date, three middle-income countries--Mexico, Philippines, and Costa Rica--have completed bank financing packages including debt and debt-service reduction operations financed from official sources and own reserves. 1/ Chile has obtained substantial debt reduction through a continuing program of debt conversions and debt buybacks, while Yugoslavia has reduced its debt mainly through a series of debt-for-export swaps. In addition, a number of middle-income countries have made substantial progress toward financing agreements with banks: Venezuela has recently agreed on a term sheet for a package including new money and debt and debt-service reduction options; Morocco has reached a preliminary agreement for a rescheduling that would also provide for debt reduction operations, mainly in a second stage; Uruguay has obtained waivers from banks for a comprehensive buyback; and Jamaica has signed a rescheduling agreement that also includes waivers for debt buybacks. In all, these packages involved the bank debt of countries that accounted for about one half of the total bank debt of the group of 15 heavily indebted countries at end-1989. 2/ Negotiations with banks continue in a number of debtor countries, including Argentina, Congo, Côte d'Ivoire, Ecuador, Nigeria, and Poland, while the Philippines has initiated discussions on a second stage of debt reduction as envisaged in its bank agreement.

Only limited progress has been made recently in negotiating bank financing packages for low-income countries, reflecting a number of factors, including the apparent low priority placed by banks in coming to agreement in these cases and their reluctance to set precedents for other cases of greater importance to them, difficulties in sustaining adjustment efforts, and higher priorities for use of available

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1/ These packages are described in the background paper.

2/ This group comprises Argentina, Bolivia, Brazil, Chile, Colombia, Côte d'Ivoire, Ecuador, Mexico, Morocco, Nigeria, Peru, the Philippines, Uruguay, Venezuela, and Yugoslavia.

resources. A rescheduling agreement for Madagascar was signed in April 1990, which includes waivers for a buyback, and a rescheduling agreement was reached for Niger in October 1989, which did not, however, become effective. A number of countries are now actively negotiating with banks for debt buybacks to be financed in part by resources from the IDA debt reduction facility. Discussions on use of the facility are under way with 15 countries, with bank debt totaling about US$2 billion, and are most advanced in the cases of Bolivia, Mozambique and Niger. The Bank staff is considering ways to facilitate more rapid implementation of debt reduction operations in connection with the IDA facility.

The most recent experience broadly supports the assessments offered in the March 1990 debt paper. 1/ The case-by-case approach remains valid, as debtor countries have been able to tailor debt restructurings to their circumstances and the requirements of their bank creditors. Several countries have obtained market-related debt and debt-service reduction, based on menus of options that have accommodated the interests of banks having varying tax and regulatory situations and corporate strategies regarding continued involvement with debtor countries, which has helped to limit "free-rider" type problems. In some other cases, generally those with relatively little bank debt or where significant progress had already been made toward resolving debt-servicing difficulties, countries have not sought official funding for debt reduction operations but have preferred to rely on reschedulings supplemented by more limited debt reduction through market-based buy backs and debt equity operations over time. Moreover, as described above, countries that have continued to meet interest and principal obligations in full have generally maintained market access.

A second encouraging aspect is that there are signs that a number of countries--including Mexico, Chile, and the Philippines--with mainly bank debt that previously experienced severe debt-servicing difficulties are making progress toward achieving external viability. In combination with policies aimed at raising domestic saving and attracting private capital inflows (including repatriation of flight capital), these countries have been able to raise investment and gradually regain a degree of access to spontaneous flows. While these countries have continued to rely to a considerable extent on exceptional financing, in part to fund debt operations, medium-term external projections suggest that this reliance can be reduced over time provided that policy efforts are sustained and the international economic environment remains broadly favorable.

Principal areas of concern remain to assure that bank financing packages eventually agreed are consistent with the requirements of members' programs supported by the Fund, and the slow pace of bank negotiations. The question of "underfunding" of programs was discussed in detail in the last review. It was noted that cash flow concerns could be addressed in part through menu design, and strengthened

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1/ "Management of the Debt Situation," EBS/90/54, 3/21/90.

procedures for the Fund were agreed to help assure consistency of bank financing packages with program requirements. Accordingly, in discussions with country authorities, the staff have stressed the importance of securing bank financing consistent with program requirements and that a bank package that fell substantially short of needed financing could call for compensating changes in the adjustment program. The very limited experience since that time does not yet allow an assessment of this approach, which is itself a consequence of the second problem, i.e., the prolonged nature of bank negotiations.

The pace of bank negotiations has continued to be very slow in a number of cases, leading to a situation in which the Fund and other official creditors have continued to provide support in the absence of a clear view on the likely timing or nature of the outcome of negotiations, and in several cases in the presence of rising arrears to banks. The Fund may continue to be confronted with such situations, posing issues for the policy on financing assurances which are taken up in Section III below.

2. Official bilateral financing

As discussed in earlier reviews, bilateral creditors have continued to provide financial assistance for countries implementing adjustment programs supported by Fund arrangements in a variety of ways. This assistance has taken the form of new financing through ODA, export credits or other direct financing; reschedulings of principal and interest on pre-cutoff date debt through the Paris Club and other channels including, for the low-income countries, rescheduling under concessional options; and a variety of bilateral initiatives regarding debt cancellation or interest forgiveness, directed primarily but not exclusively to heavily indebted low-income countries. Moreover, over the past year, multi-year rescheduling arrangements in several cases have provided debtor countries with a clearer financial framework for medium-term adjustment programs.

At the same time, it is important to note that since the onset of the debt crisis, only five of fifty countries obtaining Paris Club reschedulings have been able to overcome their problems and return to normal debtor-creditor relationships. In many cases, repeated consolidations of interest and previously rescheduled debt, together with continuing flows of new credit, have led to growing stocks of debt and rising debt service ratios, so that the prospects for a return to normal debtor-creditor relationships now seem more distant than they did in 1982.

Indeed, as shown in the Annex, the medium- and long-term external debt of the 14 lower middle-income rescheduling countries mainly indebted to official creditors nearly doubled to US$214 billion between 1982 and 1988, and the ratio of scheduled debt service to exports of goods and services exceeded 50 percent on average in 1989 (with wide variations among countries), slightly above the level in 1982 when many of these countries experienced a bunching of amortization payments. In the process, official creditors, and in particular Paris Club creditors, took on an increasing share of the debt, and now account for three quarters of the medium- and long-term debt outstanding. With regard to low-income rescheduling countries, despite debt forgiveness initiatives and the availability of concessional terms on much of the financing provided, medium- and long-term debt almost doubled to US$59 billion from 1982 to 1989 and the proportion of debt owed to official sources (particularly the multilaterals) rose to over 90 percent of the total. With the disappointing export experience of most such countries, the scheduled debt service ratio rose sharply from 35 to 60 percent on average, again with very wide variations from country to country.

These aggregate developments must, of course, be interpreted with care, as they obscure widely differing experiences and situations among countries and the existence of relatively high debt and debt-service ratios does not necessarily signal debt servicing problems. Nevertheless, for a large number of countries, including both many low-income countries and some of the lower middle-income countries, prospects for medium-term external viability remain highly uncertain, even if sustained adjustment efforts can be assumed. Moreover, the heavy concentration of debt in official hands means that commercial bank debt reduction, while potentially helpful in many cases, probably cannot feature as a central element of financing strategies to regain external viability in most of these countries.

Highly uncertain or doubtful prospects for external viability and for graduation from the rescheduling process pose uncertainties for the countries concerned, potentially frustrating adjustment efforts, and raise important questions for the nature and modalities of Fund support, including questions of prolonged use and members' capacity to repay the Fund. These questions have arisen increasingly in Executive Board discussions of the debt situation and consideration of individual country cases, and management has in several cases alerted Executive Directors to the need for the international community to consider extraordinary steps to help resolve members' external financial difficulties in the context of strong adjustment efforts by the countries themselves. It is implicit in the figures noted above, though individual situations differ widely and a case-by-case approach will remain essential, that the official debt problems of many of these countries are large and call for urgent action.

These issues have moved into much sharper focus in recent months. It is to be welcomed that official creditors, as evidenced in recent debt initiatives by the Canadian, French and U.S. governments, as well as in discussions in the Paris Club which were further encouraged by the Houston Summit, are giving increasing attention to the debt problems of both low-income and lower middle-income countries heavily indebted to the official sector. The annex to this paper describes in greater detail the experience and external debt situation of rescheduling countries and notes some related issues.

III. Selected Issues Regarding Fund Involvement

This section considers the implications of recent developments and prospects for the Fund's policy on financing assurances and raises for Executive Directors' consideration two other issues related to the modalities of the Fund's support for debt and debt-service reduction operations.

1. Financing assurances

The modifications to the Fund's policy on financing assurances agreed in May 1989 enable the Fund to approve arrangements before the completion of negotiations with banks, where it is judged that prompt Fund support is essential for program implementation, negotiations with banks have begun, and it can be expected that a financing package consistent with external viability will be agreed within a reasonable period of time. 1/ The guidelines note, inter alia, that the accumulation of arrears to banks may have to be tolerated where negotiations with banks continue and the country's financing situation does not allow them to be avoided, but it is stressed that an important aim of Fund support is to normalize relations with all creditors, and that all parties must be aware of the adverse consequences of arrears and the need for reasonable measures to avoid them.

Since May 1989, the Fund has approved arrangements for 13 members prior to the conclusion of financing packages with banks: Argentina, Bolivia, Costa Rica, Côte d'Ivoire, Ecuador, Guyana, Honduras, Jordan, Mexico, Mozambique, the Philippines, Poland, and Venezuela. 2/ In general, it can be concluded that the approach has been successful in a number of respects, particularly in encouraging the prompt adoption of necessary adjustment measures and in beginning a process toward a regularization of relations with banks. In four cases involving debt reduction operations (Costa Rica, Mexico, the Philippines and Venezuela), bank packages have now been completed or are close to completion and arrears were avoided or have now been eliminated; in a number of the other cases, partial interest payments have resumed (or provision has been made for such payments) after lengthy periods of arrears accumulation prior to the approval of a Fund arrangement, and negotiations with banks are in various stages of progress.

1/ Summing Up by the Chairman--Fund Involvement in the Debt Strategy, Executive Board Meeting 89/61, May 23, 1989 (Buff Statement 89/89, 5/24/89).

2/ These cases are summarized in an appendix to the background paper. Prior to the modification of the policy on financing assurances, the Fund had proceeded in a few instances (including Bolivia and Costa Rica) to approve arrangements while financing from commercial banks remained unsecured.

Developments have, nonetheless, implied lengthening periods in which the Fund and other creditors have continued to provide financing in the absence of clarity about the likely timing and nature of bank financing packages. This raises questions about consistency with the guidelines, in particular the expectation that a package will be agreed within a reasonable period of time.

The protracted course of bank negotiations over the past year--which is of course not a new phenomenon--has reflected a number of factors, including initially divergent expectations about what might be achieved through various debt and debt-service reduction operations and unfamiliarity with the techniques involved. Increased experience and knowledge about the results of actual operations in other cases should help to reduce such problems. At the same time, the complexity of packages has tended to increase. For one thing, members and banks have faced difficulties in reaching understandings regarding interim payments to banks. Moreover, banks have shown a reluctance to move quickly toward agreement where they have doubts about the track record or the medium-term adjustment framework and thus about future debt servicing capacity, where "enhancements" for debt operations cannot be fully specified and committed at the outset, or where they are concerned about setting precedents for settlements in other cases that are of greater financial importance to them. Further complications have recently arisen in some cases in which official bilateral creditors have expressed concerns regarding comparability of treatment where they have agreed to reschedule all interest but partial payments to banks had been envisaged; and banks have in a number of cases indicated that debt reduction by official bilateral creditors would be a condition for their own consideration of debt reduction packages.

These issues are complex and, while the parties should continue to be urged to expedite negotiations as far as possible, they may not be resolved easily or quickly in many of the present cases. In addition, looking ahead, the need for official support to be based on a track record of policy implementation and phased in line with performance is likely to imply in some cases a substantial passage of time between the initiation of negotiations and conclusion of debt restructurings, given banks' apparent reluctance to agree to terms or a framework for operations before substantial progress is made toward accumulating enhancement resources.

In these circumstances, and given the importance of timely Fund support for sound adjustment programs, assessments of the adequacy of progress in bank negotiations and the time that may reasonably be required to conclude such negotiations will need to continue to be based on a realistic appreciation of the complexities involved in the negotiations. At the same time, in order to protect programs and the Fund's own position while establishing an environment conducive to achieving progress in negotiating financing packages, it will be necessary that there continue to be clear priorities on the use of available resources under Fund-supported programs. A difficult question that has to be resolved in many cases is the level of cash payments that could appropriately be made to banks in the period before financing packages are completed. This touches on all aspects of program design and depends on a range of factors, including the underlying balance of payments estimates and the extent of fiscal adjustment; the investment and growth objectives of the program; the need for the country to accumulate international reserves to protect the program and help ensure its capacity to repay the Fund; and increasingly complex issues of comparability of treatment as between official bilateral and commercial creditors. 1/

The external financing situation is particularly difficult for the small group of countries that are in arrears to the Fund, the World Bank and the other multilateral development banks and are seeking to regularize those positions. In these cases, the need to make priority payments, in particular to preferred creditors, may leave essentially no room for payments to banks during the initial periods of programs. This has been the case for two arrangements that have recently come before the Executive Board (those for Guyana and Honduras) and similar situations may arise in other arrears cases as they are resolved. Similarly, it will likely prove most difficult to anticipate that substantial resources would be available for payments to banks during the periods of Fund-monitored arrangements or rights accumulation programs under the intensified collaborative approach to overdue obligations. Even in these extreme cases, which generally have also involved arrears to banks for protracted periods, it needs to be borne in mind that Fund support is facilitating implementation of economic programs that over time would provide for an eventual restoration of orderly relations with banks.

Some recent arrangements have provided for partial payments of interest to banks and have specified that performance criteria would also be observed if these payments were not made, but equivalent amounts were instead accumulated in reserves. This approach has been intended to avoid undue Fund involvement in the specifics of relations between members and commercial bank creditors, but it could also lead to ambiguities about members' intentions and the Fund's views on the matter of such payments. Consideration could be given to placing more emphasis in Fund arrangements on ensuring that amounts estimated to be available under the program for interest payments are in fact paid, on grounds that regular and reliable payments to banks serve as a clear indication

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1/ The contributions of different creditors and creditor groups can be expected to take a variety of forms. While broad comparability of treatment may be sought, it need not imply identical treatment. Some creditors may, for example, prefer to refinance interest while others prefer to provide debt reduction. A forthcoming staff paper on analytical issues in forecasting financial requirements in the context of adjustment programs with debt and debt service reduction will discuss questions related to "burden sharing" among creditors.

of members' intentions and can contribute to the rebuilding of orderly relations with creditors and foster the progress of negotiations, and should not be at the mercy of short-term negotiating considerations. At the same time, it would be important to avoid undue rigidities that would require payments of a certain level irrespective of changes in country circumstances or banks' general willingness to participate in negotiations. Possibly difficult judgments would need to be reached by the Fund in determining an appropriate course to be taken in individual cases.

Given the apparent likelihood of continuing extended periods before bank financing packages can be completed in many cases, and in conjunction with an increased emphasis on adherence to specified payments to banks in the interim period, it may be appropriate to reassess the procedures for Executive Board reviews of progress in negotiations in certain circumstances. Such reviews have generally been conducted on a quarterly basis in cases in which financing assurances with regard to the contribution of commercial bank creditors have not been achieved. However, the practice of quarterly reviews has resulted in situations in which there has been little evidence to present to, or to be discussed by, the Board on progress in negotiations. In some cases, banks' own priorities and scheduling preferences have precluded the possibility of further progress between reviews.

In these circumstances, it may be desirable to consider allowing for the possibility that financing assurances reviews could be concluded on a lapse-of-time basis in those cases in which the program is on track, the country has initiated negotiations with banks and is making payments to banks in line with the scope estimated to be available under its program, and the discussions with banks appear to be taking place in a framework conducive to reasonable progress. Such an approach would apply only to quarterly financing reviews between program reviews but could contribute modestly to ensuring the efficient use of Board and staff time; financing reviews held in the context of program reviews would continue to be discussed by the Board. It would of course be open to Executive Directors to request discussion of a review proposed for lapse-of-time action, and management or the member could call for a review if appropriate. The staff would continue to monitor developments in negotiations closely and bring important developments promptly to the attention of the Board.

To close this discussion, it should be emphasized that a situation in which members with Fund-supported programs make only partial payments on debt-servicing obligations to banks can be tolerated only in the interim period prior to the completion of arrangements for appropriate external financing. The objective of Fund support for member countries remains that of assisting these countries to restore orderly financial relations with creditors in the context of programs conducive to growth and external payments viability.

2. Other operational issues

Since the April review, the Fund has approved the provision of set-asides for Argentina and Ecuador in the course of previously approved arrangements. These cases, and the general experience with delays in bank negotiations, raise the question of the possible "carryover" of unutilized set asides from one arrangement to another. Also, Executive Directors at the April review requested consideration of procedures regarding the redeployment of augmentation resources released due to the early redemption of enhanced bonds. This section reviews these issues. It does not again address the issue of segmentation of Fund financing as between principal reduction and interest support. At the April review, the guidelines on segmentation were left unchanged, but it was indicated that each case would be reviewed carefully and with flexibility if this became desirable to facilitate agreement in individual cases. The staff will, as appropriate, bring the matter to the Board in individual cases; no relevant cases have come to the Board since the April review.

a. Carry-over of set-asides

The arrangements with Argentina and Ecuador did not initially include set-asides, but set-asides were later introduced in mid-arrangement in the context of improvements in policy implementation and greater specificity of the parameters for the members' negotiations with commercial banks. The deferred introduction of set-asides in these cases, and the possibility of prolonged periods of bank negotiations, suggest the possibility of cases in which the underlying arrangement may expire prior to the utilization of accumulated set-asides, and raise the issue of how such unutilized set-asides should be treated.

Under Fund procedures, the right to request to draw under an arrangement ceases at the end of the arrangement, with undrawn amounts--which may include accumulated set-asides--no longer available to the member. At the same time, the texts of the arrangements with set-asides have provided that the Fund may decide, upon the request of the member, to discontinue the designation of amounts as set-asides, provided that it is determined that the objectives of the program supported by the arrangement could be achieved, which would allow the drawing of set-asides before an arrangement expired if the member remained in compliance.

Since the initial Fund approval of set-asides implies that the originally-anticipated debt reduction operations were considered an important element contributing to the attainment of medium-term viability, it would seem generally appropriate that such resources, if unutilized, should continue to be earmarked for debt reduction and not used for general balance of payments financing upon successful conclusion of an arrangement, in particular if a successor arrangement is envisaged. Such earmarking could be maintained in various ways, depending on country circumstances. The Fund could decide that it would normally take account of the unused accumulated set-asides under an arrangement in setting access and phasing of purchases under a successor arrangement. Should the adjustment and financing paths, as well as the medium-term prospects, remain broadly unchanged, consideration would then be given to increasing access under the new arrangement by up to the amount of the unutilized set-asides, provided that total access remained within the applicable access limits. Moreover, the phasing under the program could be such that amounts corresponding to previously accumulated set-asides would be available under a new arrangement as required to support debt and debt-service reduction operations, subject to Board review in each case. In considering such a carry-over of accumulated unutilized set-asides an important factor would be compliance with performance criteria under the previous arrangement.

b. Disposition of augmentation resources used for collateral and subsequently released

In the April 1990 review of the debt strategy, Executive Directors requested the staff to consider issues that might arise in the event of an early return to the debtor country of augmentation resources used to provide interest support for debt and debt-service reduction operations. Such early release could result, for example, from debt-equity swaps where collateralized bonds received by creditors in debt exchanges were converted into equity, thereby allowing for the return to the debtor of the collateral resources. As resources obtained through augmentation of access would not otherwise have been made available to the member except for the provision of interest support in connection with debt and debt-service reduction, the question arises whether any constraints should be placed on their subsequent use, notwithstanding their initial application for the purposes intended.

Concerns may arise that the absence of any constraints on subsequent use of augmentation resources may introduce unintended incentives that could, inter alia, adversely affect the phasing of debt and debt-service reduction operations and result in use of augmented Fund resources for purposes other than those intended. Thus, for example, debtor countries might be encouraged inadvertently to postpone market-based debt reduction (especially, but not exclusively, debt-equity conversions) until after the disbursement of augmentation resources in order to maximize access to Fund resources. Debtors could subsequently retire collateralized debt instruments and use the released financing for general balance of payments purposes.

While recognizing possible risks in this regard, care needs to be taken not to impose excessive rigidities in the modalities for redeployment of augmentation resources, particularly as there is no evidence at present of any significant practical problems. In these circumstances, Executive Directors may wish to consider the merit of adopting an approach similar to that taken by the World Bank, under which a member may be called on to make an early repayment if augmentation resources that are released early are not subsequently used for further debt and debt-service reduction operations. In the case of the Fund, the amounts covered could be determined according to the proportion of Fund resources in the total of financing for the specific operation, adjusted according to repayments of this financing already effected by the member country. A certain period (e.g., a year) would be provided to allow the member to formulate and implement additional debt and debt-service reduction operations using these resources. The member would be asked to inform the Fund of the use of released augmentation resources and to consult with the Fund should a different approach be intended. If, after a specified period, the released resources were not used for a purpose approved by the Fund, then the Fund could decide to apply an expectation of an early repurchase of these resources. If Executive Directors agree with the outlines of such an approach, a short paper could be prepared that would provide specific guidelines to be followed as the need arises.

IV. Concluding Remarks

While it is still early, there are signs that a number of middle-income countries that have mainly bank debt, have maintained strong adjustment efforts, and have achieved market-related bank debt restructurings are making progress toward external viability and a restoration of access to international capital markets. The signs of a resumption of spontaneous flows in these cases, although early and limited, reaffirm the importance and benefits of strong policies to foster savings, investment, and private capital inflows. Nevertheless, concerns remain about the adequacy of bank financing packages, and progress in putting together such packages has continued to be slow in many cases. Negotiations may well remain protracted in the future for a number of reasons, including the increasing complexity of bank packages, concerns about the comparability of treatment of different creditor groups, questions about the strength of adjustment in many cases, and the need to accumulate "enhancements" based on performance.

For a number of lower middle-income and low-income countries, the preponderance of external debt is to official rather than bank creditors; debt and debt-service ratios have increased very substantially for a large number of these countries, particularly vis-à-vis official creditors, since the onset of the debt crisis. While these countries have been able to obtain cash-flow relief through traditional Paris Club reschedulings and other forms of bilateral official support, often on concessional terms, for many of them prospects for a return to market access and external viability remain highly uncertain. This poses important questions for the authorities' adjustment efforts and for the Fund's involvement, and underlines the importance both of recent initiatives by official bilateral creditors to provide forms for debt relief that go beyond the terms normally provided in Paris Club reschedulings and of the need for further consideration of options to address debt problems. Executive Directors' comments on these difficult issues would be welcome, particularly as regards appropriate directions for the staff to take in studying these issues further.

The possibility that negotiations with banks on financing packages will continue to be protracted implies that the Fund may continue to face difficult cases in applying its financing assurances policy. Given the importance of timely Fund support of strong programs, assessments of the adequacy of progress in bank negotiations and the time that may reasonably be required for completion will need to continue to be based on a realistic appreciation of the complex issues involved in such negotiations. At the same time, consideration could be given to placing more emphasis in the framework of Fund arrangements on ensuring that amounts estimated to be available under the program for interest payments to banks are in fact paid, on the grounds that regular and reliable payments to banks are important to foster the rebuilding of orderly relations with creditors. In addition, the Executive Board may wish to consider making allowance for the possibility that quarterly financing reviews could be concluded on a lapse-of-time basis, where the program is on track, the member has initiated negotiations with banks and is making payments to banks in line with the scope available under the program, and the discussions with banks appear to be taking place in a framework conducive to reasonable progress. The staff would continue to monitor negotiations closely, and earlier reports to or reviews by the Board could be scheduled as warranted by developments.

With regard to the modalities of Fund support for debt and debt-service reduction, the paper submits for the consideration of the Executive Board suggestions for the treatment of accumulated but unused set-asides at the end of arrangements and the redeployment of augmentation resources released early to the debtor country. It is proposed that as a standard procedure, the Fund could take account of set-asides accumulated but unused under previous arrangements in setting access and phasing under a successor arrangement. As to the redeployment of augmentation resources, the Fund could adopt an approach similar to that adopted by the World Bank, which would involve an understanding that member countries use augmentation resources released early for further bank debt and debt-service reduction operations. Executive Directors' comments on the approaches suggested in these areas would be appreciated.

Recent Experience with Official Multilateral Debt Restructuring

1. Introduction

In recent months, both the Fund and the Paris Club have been re-examining the issues posed by the heavy burden of debt service payments to official bilateral creditors over the medium term. Steps to alleviate the burden of the debt of low-income countries to bilateral creditors have been underway for some time, but recently the difficulties posed by heavy debt service burdens for the achievement of balance of payments viability for some such countries have moved into sharper focus, and for these countries there has been an expansion of initiatives to provide debt relief including debt forgiveness on ODA.

The issue of official bilateral debt of middle-income developing countries, particularly those at the lower end of that range, has also received increased attention. The positive effects of commercial banks' debt reduction on the prospects of some middle-income countries have helped focus attention on this issue. Some creditor governments have responded to the debt problems of some middle-income countries by taking actions similar to the ODA debt reduction and other measures previously limited to low-income countries, as evidenced by the recent debt initiatives by Canada, France, and the United States. In the Paris Club more general attention has also been directed in recent months to ways of dealing with bilateral debt problems of lower middle-income countries, a process which was further encouraged by the participants in the Houston Summit in July.

This annex provides background information on the multilateral official debt rescheduling experience and external debt situation of the 50 countries that have obtained Paris Club reschedulings during the past decade, and outlines some of the issues that arise. The 50 rescheduling countries are listed in Table 1, together with summary indicators on the reschedulings and the creditor composition of external debt.

The countries are grouped into upper middle-income, lower middle-income and low-income countries. This classification, based on 1988 income levels, follows that employed by the World Bank except with respect to Bolivia and Senegal which are grouped here among low-income countries; both countries are being supported by resources from the ESAF and have also obtained Paris Club reschedulings on Toronto terms. 1/

1/ Nigeria is included in the tables in the low-income category on the basis of its 1988 per capita income level of US$290. The cutoff income level of US$2,200 between upper- and lower-middle-income countries is in line with the World Bank definition.

Table 1. Rescheduling Countries: Summary

	1988 GNP per capita (US$) 2/	Official Multilateral Debt Rescheduling Agreements 1/						Ratio of official bilateral to bank debt 4/
		Year of first agreement	Agreements concluded (number)	Cumulative period covered (months)	Total amount consolidated (US$ mill.)	End of last consolidation	Current status 3/	
1. Middle-income Countries								
a. Upper middle-income countries								
Argentina	2,630	85	3	41	5,750	3/91	In effect	0.2
Brazil	2,280	83	3	61	11,507	3/90	...	0.3
Gabon	2,970	78	4	55	1,321	12/90	In effect	4.4
Panama	2,240	85	1	16	19	12/86	Requested	0.1
Romania	2,210	82	2	24	970	12/83	Graduated	...
Trin. & Tob.	3,350	89	2	27	319	3/91	In effect	0.6
Yugoslavia	2,680	84	4	68	3,504	6/89	Requested	0.6
Total			19		23,390			0.3
b. Lower middle-income countries								
Cameroon	1,010	89	1	12	535	3/90	...	3.2
Chile	1,510	85	2	39	303	12/88	Graduated	0.2
Congo	930	86	1	20	756	3/88	Requested	2.2
Costa Rica	1,760	83	3	47	484	5/90	...	0.6
Côte d'Ivoire	740	84	5	93	2,261	4/91	In effect	0.5
Dominican Rep.	680	85	1	15	290	4/86	Arrears	2.9
Ecuador	1,080	83	4	76	1,427	12/90	In effect	0.5
Egypt	650	87	1	18	6,350	6/88	...	13.9
Jamaica	1,080	84	5	75	617	3/91	In effect	5.3
Jordan	1,500	89	1	18	587	12/90	In effect	3.4
Mexico	1,820	83	3	60	5,511	5/92	In effect	0.2
Morocco	750	83	4	68	4,253	12/89	Requested	3.4
Peru	1,470	78	3	39	1,590	7/85	Arrears	1.1
Philippines	630	84	3	61	3,469	6/91	In effect	0.7
Poland	1,850	81	5	83	32,837	3/91	In effect	3.2
Turkey	1,280	78	3	61	5,500	6/83	Graduated	2.3
Total			45		66,770			1.0
All middle-income countries			64		90,160			0.6
2. Low-income countries								
Angola	...	89	1	15	446	9/90	In effect	1.6
Benin	340	89	1	13	193	6/90	...	2.1
Bolivia	570	86	3	51	951	12/91	In effect	3.9
Chad	160	89	1	15	38	12/90	In effect	27.2
C.A.R.	390	81	5	72	131	12/90	In effect	26.0
Equat. Guinea	350	85	2	18	48	12/88	...	5.9
Gambia, The	220	86	1	12	17	9/87	Graduated	4.6
Guinea	350	86	2	26	320	12/89	...	31.1
Guinea-Bissau	...	87	2	33	46	12/90	In effect	5.0
Guyana	410	89	1	14	195	2/90	Requested	3.8
Liberia	...	80	4	60	94	6/85	Arrears	4.7
Madagascar	180	81	7	121	1,111	6/91	In effect	21.7
Malawi	160	82	3	38	78	3/89	Graduated	5.5
Mali	230	88	2	42	107	12/91	In effect	18.4
Mauritania	480	85	4	53	237	5/90	Requested	57.6
Mozambique	100	84	3	61	1,351	12/92	In effect	15.9
Niger	310	83	6	75	219	12/89	Requested	2.0
Nigeria	290	86	2	31	11,851	4/90	...	1.2
Senegal	630	81	8	102	737	12/90	In effect	8.0
Sierra Leone	240	77	4	56	187	11/87	Arrears	13.7
Somalia	170	85	2	36	280	12/88	Arrears	9.2
Sudan	340	79	4	63	1,457	12/84	Arrears	6.7
Tanzania	160	86	3	30	1,622	12/90	In effect	136.6
Togo	370	79	8	138	1,190	6/92	In effect	7.9
Uganda	280	81	4	54	308	6/90	Requested	19.9
Zaïre	170	76	10	131	6,555	6/90	...	7.7
Zambia	290	83	4	54	1,964	12/91	In effect	12.5
Total			97		31,742			2.9
All countries			161		121,902			0.7

Sources: Agreed Minutes of debt reschedulings, World Bank; and Fund staff estimates.

1/ Includes rescheduling agreements from 1976 through end-July 1990.
2/ World Bank data.
3/ "Requested" applies to those cases where authorities have requested a Paris Club rescheduling and where Fund arrangements have already been approved or negotiations are well advanced. "Arrears" denotes those cases where the last consolidation period has expired some time in the past and where arrears have been accumulating since. "..." is used for cases where consolidation periods have expired more recently and arrears have been accumulating. In several of these cases there are good prospects for an early resolution to the arrears problem either through a new rescheduling or the resumption of all due payments.
4/ Data for 1988 as presented in Tables 3 and 4.

2. Official bilateral creditors and the debt strategy

Paris Club creditors have been active participants in the evolution of the debt strategy since the onset of the debt crisis in 1982-83. Indeed, the pattern for Paris Club support for countries undertaking adjustment programs was already well-established at that time. Where it was clear that debt rescheduling would be required in support of a country's adjustment program, the cash flow relief that would be provided by the Paris Club would be determined through consultations among the debtor, Paris Club creditors and the international financial institutions, particularly the Fund. Fund support of the program could thus proceed in confidence that the bilateral creditors would provide needed cash support. In this respect the Paris Club served as a flexible multilateral mechanism through which creditors provided temporary relief in support of debtors' adjustment efforts.

Paris Club and other bilateral creditors and rescheduling countries of course had ties that went well beyond those between creditor and debtor or operations with respect to existing debt. Creditor countries provided direct assistance in other forms, often concessional, including ODA and official support for export credits, 1/ and other direct lending, as well as indirect support through the multilateral institutions.

a. Experience with Paris Club reschedulings

In the twenty years that followed the first Paris Club rescheduling (in 1956, for Argentina), the ten countries that had official multilateral debt reschedulings managed to resume normal relations with official creditors after a short series of reschedulings. 2/ Since the mid-1970s, however, debtor countries have been less successful in returning to a situation where debt service payments can be met as scheduled. 3/ Over the fifteen years through July 1990, Paris Club creditors concluded 161 rescheduling agreements with 50 countries, only

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1/ In this connection the Paris Club was able to develop a debt subordination strategy in the early 1980s that facilitated the extension of new credits through fixing cutoff dates, and the exclusion of short-term debts from rescheduling kept essential short-term credit available even when other sources of trade finance had been drastically curtailed.

2/ In one case (Indonesia in 1970), the early return to normal relations was facilitated by a comprehensive final rescheduling with a consolidation period extending to the final maturity of the debts concerned, and a repayment period of 30 years including a 15-year grace period for rescheduled interest with no moratorium interest falling due.

3/ Paris Club reschedulings since 1976 are summarized in Table 1. A more detailed description of the rescheduling agreements concluded through July 1990 is appended to this Annex (Table 5). The latter table updates information provided in the recent staff paper "Official Multilateral Debt Restructuring--Recent Experience" (SM/90/50, 3/9/90).

five of which have re-established normal relations with creditors. 1/ The remaining 45 countries that have yet to graduate from the rescheduling process either have current rescheduling agreements in effect, have requested further rescheduling, or are expected to return to the Paris Club if and when a Fund-supported program is in place that could serve as the basis for a new rescheduling.

The large increase in Paris Club reschedulings over the past fifteen years parallels to a degree the sharp rise in bank debt restructurings, but with less concentration around the onset of the generalized debt crisis in 1982-83. This reflects the more diversified experience of countries largely indebted to official creditors, which were not subject to an abrupt change in the lending practices of their main creditor group. Fifteen countries had approached official creditors for rescheduling during 1976-82, before the emergence of more widespread debt servicing difficulties. During the following three years, 1983-85, nineteen other countries approached the Paris Club, mostly middle-income countries with large debts to private creditors. Since 1986, another sixteen countries have come to the Paris Club for the first time, of which seven as recently as last year (Chart 1).

Most of the rescheduling countries have returned to the Paris Club time after time; coverage under the reschedulings has become increasingly comprehensive as previously rescheduled debts have been rescheduled repeatedly in all but a few cases. The number of consolidation agreements has reached ten in one case (Zaïre) and nine other countries have had five or more reschedulings. The longest cumulative period covered by consolidations extends for more than eleven years (Togo), and for nearly half of the rescheduling countries the cumulative consolidation period exceeds five years. The period of effective cash flow relief was even longer in most cases because successive consolidations were seldom negotiated in an unbroken sequence; arrears which often accumulated after the expiration of one consolidation were usually subsumed to a large extent in the subsequent consolidation. The intervals between consolidations were usually relatively short, but in some cases, arrears accumulated for a considerable length of time.

Low-income countries account for half of the rescheduling countries and almost two-thirds of the reschedulings since 1976. Given the protracted nature of their balance of payments problems, many of these countries experienced difficulties in adhering to the terms of previous agreements, in part because of program-related difficulties and external shocks, but also because the repeated application of standard terms over a long period left them with rising debt servicing obligations in the

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1/ Among the middle-income countries, Romania and Turkey resumed full debt service payments in the early 1980s and Chile did so last year. Of the low-income countries, The Gambia maintained normal payments relations after a one-time rescheduling in 1986 that consolidated mainly accumulated arrears, while Malawi resumed full current payments in 1989.

medium term. In response, creditors agreed in mid-1987 to lengthen the maturity periods for low-income countries from the standard 10 years to between 15 and 20 years and, through the summer of 1988, 10 low-income countries obtained such extended repayment terms. A second step toward alleviating future debt service burdens was made in 1988 when Paris Club creditors agreed to apply to the rescheduling of the low-income countries a menu of options including partial debt service cancellation, interest rate reduction and very long maturities ("Toronto terms"). Since October 1988, Toronto terms have been incorporated in 23 rescheduling agreements for 18 countries which consolidated a total of US$5 billion.

While Toronto terms have been reserved for the low-income countries, creditors have recently extended the repayment period beyond the standard 10 years to 14 years in the reschedulings for two lower middle-income countries (Côte d'Ivoire and Poland). Over the last year, creditors have also agreed to longer consolidation periods on a case-by-case basis, often to the expiry date of a multiyear Fund arrangement or even beyond. The multiyear rescheduling agreements have provided debtors with a clearer financial framework for medium-term adjustment programs. The multiyear reschedulings were tranched, and the conditions for the entry into effect of the second (or third) tranche invariably included the continued existence of a Fund arrangement. The tranches were linked to Board approval of annual arrangements under the SAF or ESAF, or, in the case of countries with extended arrangements, the completion of reviews by a specified date.

b. External debt situation of rescheduling countries

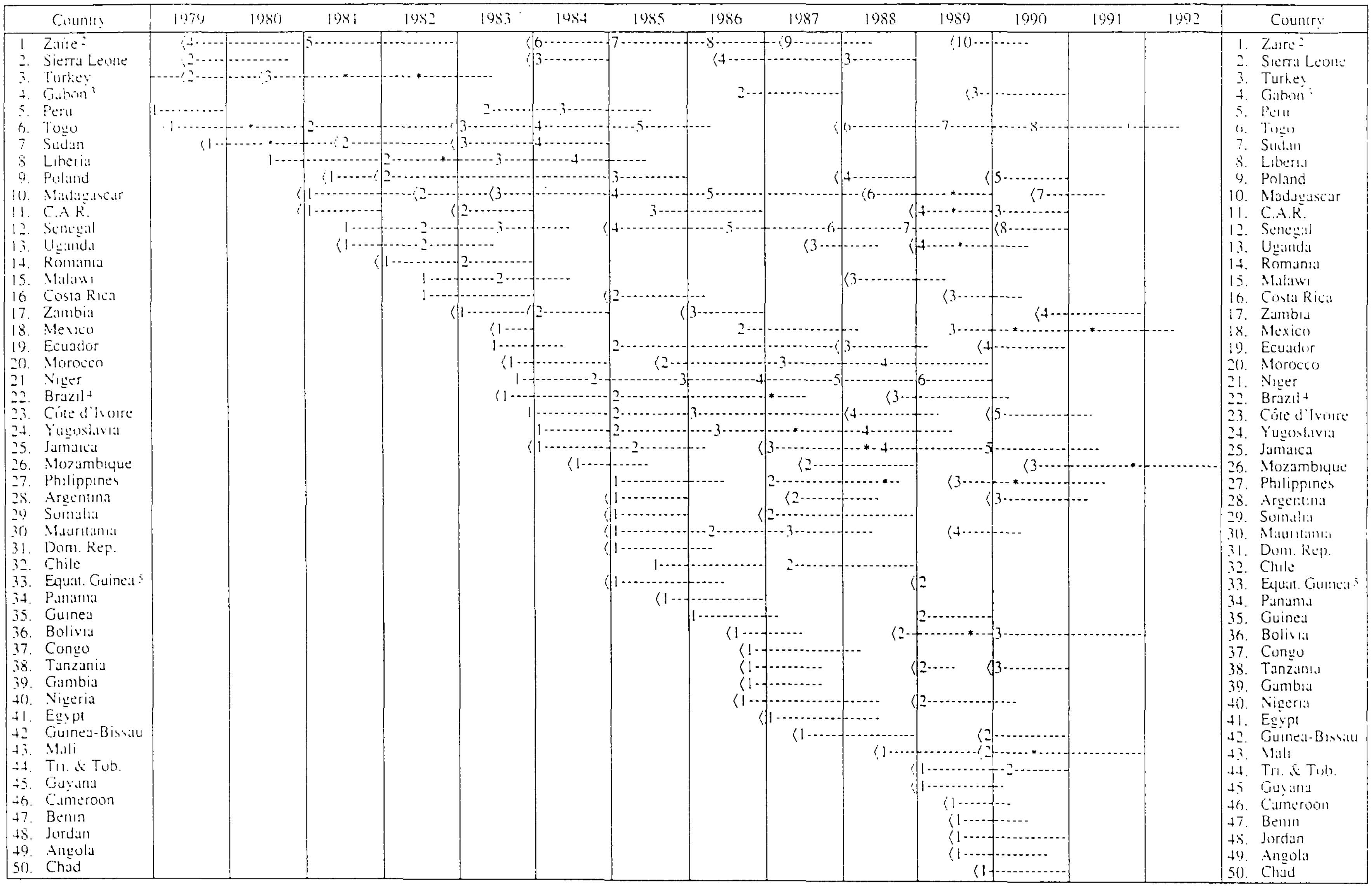
(i) Debt and debt service ratios

Though all but five of the Paris Club rescheduling countries have continued to seek reschedulings, they face widely differing debt situations. This diversity of country circumstances is brought out in Table 2, which shows the evolution of debt-export and scheduled debt service ratios since 1982. 1/ For some countries, debt and debt service ratios have begun to decline from their peaks in the mid-1980s, especially for those that have pursued adjustment efforts, have limited

1/ The large differences in debt and debt service ratios among the rescheduling countries underline the need for a cautious interpretation of these indicators in particular as regards future developments. Debt service ratios for any given year may be heavily influenced by exceptional factors such as temporary increases or decreases in exports or short-term deferrals of amortization payments resulting from bank debt restructurings. Wide variations in the concessionality structure of the debt also make debt ratios difficult to compare across countries.

Chart 1: Official Multilateral Debt Renegotiations, 1979–July 1990

Consolidation Periods of Successive Rescheduling Agreements[1]



Sources: Agreed Minutes of debt reschedulings; and Fund staff calculations.

Notes: 1, 2, 3, etc. – start of successive consolidation periods since 1976 (see Table 5)

* – conditional future rescheduling or extension of consolidation period.

⟨ – consolidation date of arrears.

[1] The number of consolidation periods may, in some cases, exceed the number of rescheduling agreements due to conditional future consolidations becoming effective. Representation of dates is approximate.

[2] For rescheduling agreements 2 and 3, consolidation period overlaps with previous consolidations.

[3] The 1978 rescheduling consolidated only arrears.

[4] Conditional consolidation period of second agreement did not become effective.

[5] The 1989 rescheduling consolidated only arrears at end 1988

Table 2. Rescheduling Countries: External Debt and Scheduled Debt Service, 1982-89 1/

(In percent of exports of goods and services)

	External Debt 2/			Scheduled Debt Service 3/		
	1982	1986	1989 4/	1982	1986	1989 4/
1. Middle-income countries						
a. Upper middle-income countries						
Argentina	430	536	462	67	114	74
Brazil	352	424	299	89	93	45
Gabon	45	133	201	14	25	35
Panama	52	89	107	12	22	27
Trinidad & Tobago	39	115	130	7	25	36
Yugoslavia	127	122	94	26	36	25
b. Lower middle-income countries						
Cameroon	96	131	233	18	20	27
Chile	329	365	177	68	74	29
Congo	212	616	466	49	97	84
Costa Rica	265	271	267	54	45	43
Côte d'Ivoire	238	286	443	34	35	54
Dominican Republic	237	254	200	34	43	32
Ecuador	226	318	383	102	90	83
Egypt	399	551	567	53	73	85
Jamaica	154	201	220	36	59	39
Jordan	112	169	196	11	24	38
Mexico	324	400	256	58	53	51
Morocco	390	482	360	53	89	64
Peru	263	421	490	58	77	70
Philippines	310	312	220	37	51	40
Poland	520	567	483	131	105	63
Turkey	205	289	201	40	41	40
2. Low-income countries						
Angola	...	...	214	...	...	40
Benin	313	340	307	25	41	25
Bolivia	397	543	447	61	89	54
C.A.R	132	248	324	10	15	21
Chad	213	161	178	14	13	15
Equatorial Guinea	380	454	418	55	40	31
Gambia, The	256	294	186	27	31	17
Guinea	266	246	300	27	29	25
Guinea-Bissau	874	1,739	1,062	32	78	96
Guyana	342	607	583	38	88	68
Liberia	124	247	295	27	48	34
Madagascar	499	678	622	59	81	87
Malawi	294	368	418	47	47	33
Mali	445	624	630	13	19	20
Mauritania	342	328	349	29	38	39
Mozambique	294	1,594	1,618	97	247	197
Niger	187	299	364	45	48	46
Nigeria	95	354	271	35	73	67
Senegal	192	284	271	16	24	27
Sierra Leone	387	627	868	46	69	85
Somalia	475	1,274	2,146	35	103	161
Sudan	783	1,248	1,686	67	138	181
Tanzania	453	948	907	47	110	71
Togo	221	248	213	33	43	24
Uganda	172	226	450	20	50	65
Zaïre	259	293	295	42	45	43
Zambia	397	688	454	34	85	48

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

1/ Excludes Romania. In some cases, there are breaks in the time series and data need to be interpreted with some caution. The debt data are also not strictly comparable with data presented in Tables 3 and 4.
2/ Excludes obligations to the Fund.
3/ Excludes repurchases from the Fund.
4/ Estimates.

recourse to external financing (in part by seeking less comprehensive debt reschedulings) and have experienced a resumption of export growth. But for many other countries debt ratios have continued to deteriorate or at best stabilized at a very high level.

For the 14 lower middle-income countries that are heavily indebted to official bilateral creditors (this group excludes Chile and Mexico), scheduled debt service ratios exceeded 50 percent on average in 1989, slightly above the level in 1982, when many of these countries experienced a bunching of amortization payments. While successive reschedulings and commercial bank debt restructurings have helped lengthen the average maturity of debts for many countries, the reduction in annual amortization payments was broadly offset by the rise in scheduled interest payments on the increased stock of debt. The larger share of interest payments in scheduled debt service has made a return to normal relations with creditors an even more distant prospect for many countries than was the case earlier in the decade.

For the low-income countries, the average debt service ratio increased sharply from about 35 percent in 1982 to over 60 percent in 1989, in part because of the disappointing export performance of many of these countries and despite debt forgiveness initiatives and the availability of financing on concessional terms. Several countries have debt stocks that exceed current exports by a factor of ten or more, and scheduled debt service payments well in excess of annual exports. For many others debt service ratios are in the range between 50 and 100 percent. Finally, for a small number of countries with long sequences of reschedulings, debt service ratios have remained below that of many non-rescheduling countries and reschedulings have been related primarily to the fiscal burden of debt service. 1/

(ii) Creditor composition

In recent years, relative exposure levels have shifted markedly toward official creditors. The changes in the creditor composition of the rescheduling countries' external medium- and long-term debt between 1982 and 1988 are shown in Chart 2 and Tables 3 and 4. The data in the tables are based on debt statistics reported by creditors which provide a breakdown between direct official and officially supported credits. 2/

1/ Since the external debt of rescheduling countries is largely owed by the public sector, cash flow relief for budgetary reasons has been particularly important for countries which belong to a currency union.

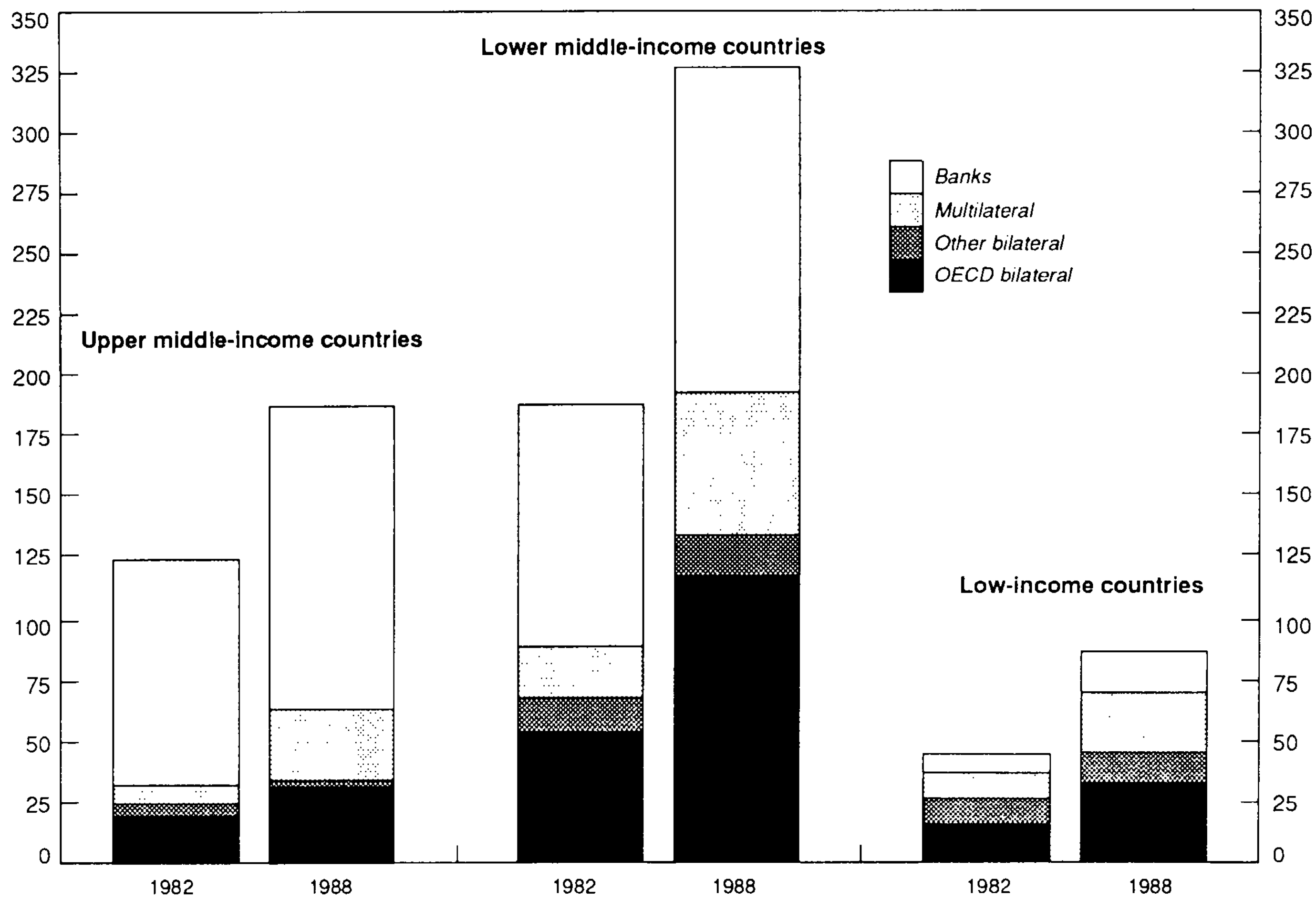
2/ Given this classification, a rescheduling of debt service on officially supported credits does not result in an increase in exposure of bilateral creditors nor a corresponding decline in exposure of private creditors, even though it involves a payment of insurance claims to banks or suppliers that extended the credits. Debtor reporting systems classify loans by creditor that extended the loan, and a rescheduling of officially supported credits leads to a reclassification of credits from private to official bilateral creditors.

CHART 2

RESCHEDULING COUNTRIES

COMPOSITION OF MEDIUM- AND LONG-TERM EXTERNAL DEBT, 1982 AND 1988

(In billions of U.S. dollars)



Source: Tables 3 and 4.

Table 3: Middle-Income Rescheduling Countries: Composition of Medium- and Long-term External Debt, 1982 and 1988 1/

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

Country	Stock of medium- and long-term debt (US$ billions) 2/		Shares in medium- and long-term debt										Memorandum: Share of concessional debt	
			Bilateral official 3/						Multi- lateral		Banks 4/			
			Total		OECD		Other							
	1982	1988	1982	1988	1982	1988	1982	1988	1982	1988	1982	1988	1982	1988
Upper middle-income countries														
Argentina	27.7	53.2	17	12	16	11	1	1	5	14	78	74	1	1
Brazil	76.5	103.7	18	18	17	18	1	--	5	14	77	68	2	2
Gabon	1.2	2.4	56	71	51	69	5	2	4	13	40	16	7	12
Panama	4.6	5.7	10	9	4	6	6	3	9	23	81	68	7	7
Trinidad & Tobago	1.1	1.9	42	35	42	35	--	--	6	9	52	56	3	4
Yugoslavia	13.8	20.2	38	30	26	24	12	6	13	21	49	49	8	6
Total	124.8	187.2	20	18	17	17	3	1	6	15	74	67	3	3
Lower middle-income countries														
Cameroon	2.6	3.8	54	53	48	50	6	3	22	30	24	17	35	35
Chile	13.1	18.5	13	11	10	11	3	--	3	25	84	64	5	3
Congo	1.8	3.9	55	60	28	46	27	14	9	12	36	28	31	20
Costa Rica	2.5	3.9	30	28	15	23	15	5	21	27	49	45	14	24
Côte d'Ivoire	4.9	12.1	30	24	29	24	1	--	17	22	53	54	9	9
Dominican Republic	2.7	3.5	46	55	33	41	13	14	13	27	41	18	23	34
Ecuador	4.5	9.6	39	27	29	21	10	6	12	24	49	49	7	8
Egypt	19.3	40.6	75	82	57	69	18	13	18	12	7	6	59	42
Jamaica	2.2	4.1	60	52	38	43	22	9	23	38	17	10	28	33
Jordan	2.3	4.3	84	63	63	48	21	15	11	18	5	19	47	38
Mexico	65.1	95.9	8	11	8	11	--	--	7	16	85	73	1	1
Morocco	9.2	18.5	57	58	27	40	30	18	13	25	30	17	44	34
Peru	7.7	14.4	53	41	37	32	16	9	11	20	36	39	18	12
Philippines	11.2	25.1	30	33	30	31	--	2	22	23	48	44	13	17
Poland 5/	25.2	37.7	62	74	54	69	8	5	--	3	38	23	...	...
Turkey	15.1	32.0	59	51	50	44	9	6	20	28	21	21	31	22
Total	189.2	328.0	36	40	29	35	7	5	11	18	53	41	15	15
Total excl. Chile and Mexico	111.0	213.6	56	57	44	49	12	8	13	18	31	25	25	21
All middle-income countries	314.0	515.2	30	32	25	28	5	4	9	17	61	51	10	10
Memorandum: All rescheduling countries	359.3	600.3	33	35	25	30	8	15	11	19	56	46	13	14

Source: Organisation for Economic Co-operation and Development (except for Poland).

1/ Excludes Romania.
2/ Includes obligations to the Fund.
3/ Includes direct official as well as officially supported bank and supplier credits.
4/ Includes claims of other private creditors not officially insured or guaranteed.
5/ Data provided by the Polish authorities; and Fund staff estimates.

Table 4. Low-Income Rescheduling Countries: Composition of Medium- and Long-Term External Debt, 1982 and 1988

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

Country	Stock of medium- and long-term debt (US$ billions) 1/		Shares in medium- and long term debt										Memorandum: Share of concessional debt	
			Bilateral official 2/						Multi-lateral		Banks 3/			
			Total		OECD		Other							
	1982	1988	1982	1988	1982	1988	1982	1988	1982	1988	1982	1988	1982	1988
Angola	0.8	1.4	69	59	66	54	3	5	2	4	29	37	8	21
Benin	0.6	0.7	41	29	36	20	5	9	28	57	31	14	38	70
Bolivia	3.1	4.6	49	55	26	28	23	27	23	31	28	14	26	33
C.A.R.	0.3	0.6	60	43	42	32	18	11	37	55	3	2	46	77
Chad	0.2	0.3	41	35	18	25	23	10	54	64	5	1	58	86
Equatorial Guinea	0.1	0.2	68	54	42	28	26	26	27	37	5	9	29	58
Gambia	0.2	0.3	42	29	18	17	24	12	51	65	7	6	59	75
Guinea	1.4	2.2	78	71	27	29	51	42	16	28	6	2	68	73
Guinea-Bissau	0.1	0.4	62	46	15	11	47	35	34	45	4	9	68	63
Guyana	0.8	1.0	45	43	25	23	19	20	37	46	18	11	50	50
Liberia	0.8	1.6	37	44	31	40	6	4	46	46	17	10	40	40
Madagascar	1.8	3.5	63	65	41	48	22	17	26	32	11	3	42	50
Malawi	0.9	1.3	34	22	26	20	8	2	48	74	18	4	47	72
Mali	0.9	2.0	61	59	7	22	54	37	38	38	1	3	91	90
Mauritania	1.1	1.8	68	66	16	18	52	48	28	33	4	1	63	74
Mozambique	0.9	1.8	76	77	66	62	10	15	8	18	16	5	27	65
Niger	0.8	1.6	44	41	36	34	8	7	25	39	31	20	38	52
Nigeria	9.8	26.0	47	48	37	42	10	6	8	11	45	41	4	2
Senegal	1.6	3.4	49	54	37	39	12	15	36	39	15	7	35	59
Sierra Leone	0.5	0.6	65	50	55	43	10	7	33	46	2	4	49	56
Somalia	1.2	2.0	65	54	22	28	43	26	31	40	4	6	73	73
Sudan	5.7	8.7	66	64	24	29	42	35	24	26	10	10	45	45
Tanzania	2.6	4.0	63	61	30	38	33	23	34	38	3	1	61	64
Togo	0.9	1.1	65	43	64	42	2	2	19	51	16	6	31	54
Uganda	0.9	1.6	46	29	19	10	27	19	52	69	2	2	45	68
Zaire	4.4	7.4	65	63	58	59	7	4	21	29	14	8	24	37
Zambia	3.1	5.1	56	54	34	38	22	16	38	42	6	4	35	40
Total	45.3	85.1	57	54	35	38	22	16	24	28	19	18	34	37
Total excluding Nigeria	35.5	59.1	60	57	35	37	25	20	28	36	12	7	42	52
Memorandum:														
All rescheduling countries	359.3	600.3	33	35	25	30	8	5	11	19	56	46	13	14

Source: Organisation for Economic Co-operation and Development.

1/ Includes obligations to the Fund.
2/ Includes direct official as well as officially supported bank and supplier credits.
3/ Includes claims of other private creditors not officially insured or guaranteed. These are generally very small.

The external medium-and long term debt of all middle-income rescheduling countries increased between 1982 and 1988 from US$315 billion to US$509 billion. The share of official bilateral creditors in the total increased slightly from 30 to 32 percent, the share of private creditors fell from 61 percent to 51 percent, 1/ and the share of multilateral creditors nearly doubled, from from 9 to over 17 percent. The increase in absolute exposure for each of the three groups was broadly similar, in the US$60-70 billion range. It should be noted that there was also a pronounced shift within the group of official bilateral creditors toward Paris Club creditors 2/ and away from other bilateral creditors, as absolute exposure by the latter group remained broadly unchanged.

Experience across countries differed widely. In a few cases, an initially small share for bilateral creditors declined further during the period covered but more recently has increased or is expected to rise reflecting debt reduction operations vis-à-vis commercial bank debts. In most cases where the share of official bilateral creditors was already predominant in 1982, it continued to rise markedly. 3/

Official bilateral lending is heavily concentrated on the lower middle-income countries and the shift in exposure is more pronounced for this group. Thus the classification of upper middle-income and lower middle-income countries broadly mirrors a grouping based on shares in external debt. While private creditors hold more than half of the external debt in all upper middle-income countries (except Gabon), they account for less than half in all lower middle-income countries (except Chile and Mexico 4/).

For the low-income rescheduling countries, official bilateral creditors have traditionally been an important source of financing. As the problem of debt buildup became evident for such countries, creditors began to view them as requiring concessional assistance (ODA), not credits on market terms. New bilateral flows to such countries increasingly took the form of ODA, and on increasingly concessional terms. Most creditors, following a 1978 UNCTAD resolution, undertook some degree of forgiveness of ODA loans, a process which accelerated

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1/ These data do not yet reflect the effects of recent bank debt reduction packages.

2/ Though participation in Paris Club reschedulings is open to all bilateral creditors, in practice, the group "OECD creditors" corresponds quite closely to creditors that have participated in reschedulings through the Paris Club.

3/ Particularly for Egypt and Poland which account for over one third of the total exposure of bilateral official creditors to all middle-income countries, and more than half the exposure to the lower middle-income countries.

4/ Private creditors also hold slightly more than 50 percent of the total external medium-and long-term debt of Côte d'Ivoire but a much lower share in public and publicly-guaranteed debt.

toward the end of the 1980s. Moreover, when ODA was rescheduled in the Paris Club, individual creditors more and more accorded concessional terms. With the wave of further ODA cancellation in the last two years, together with the debt reduction provided through Toronto terms reschedulings (typically financed through ODA), debt and debt service ratios for a number of low-income countries are beginning to improve.

The share of official bilateral creditors in the total external debt of low-income countries is not much larger than in the case of the lower middle-income countries (excluding Mexico and Chile), reflecting both the much lower recourse to export credit financing by the low-income countries, but also the extent to which previously-granted ODA has been cancelled and the fact that new ODA is increasingly in the form of grants rather than loans. The contribution of official bilateral creditors has therefore been much larger than indicated by the rise in debt stocks, and the increase in debt to such creditors is largely attributable to rescheduling operations (or the accumulation of arrears yet to be consolidated). Non-OECD creditors hold a significant but declining share of the external debt of the low-income countries.

The share of private creditors is very small in the low-income countries (it exceeds 25 percent only in the special case of Nigeria) and has declined substantially in most cases in recent years. Multilateral institutions, on the other hand, hold a very significant share of the debt of low-income countries, and their exposure has increased quite rapidly to nearly 40 percent of the total debt of this group.

3. Medium-term prospects for rescheduling countries

The great diversity of country circumstances underscores the difficulties of reaching generalized conclusions with regard to the rescheduling countries at large or to any subset of this group. The issue of how to solve debt servicing problems must therefore be approached on a case-by-case basis in the context of a well-specified and country-specific comprehensive medium-term framework. Nevertheless, in light of assessments of medium-term prospects in recent Fund staff reports and current rescheduling practices by official bilateral creditors, two broad groups of countries can be distinguished: countries that could achieve viability in the near future on the basis of current prospects and rescheduling practices; and countries that are expected to experience great difficulties in attaining viability even with a significant strengthening of domestic policies.

a. External viability achievable in the near future

There are a considerable number of countries for which external viability is clearly in prospect. Countries that are expected to graduate from rescheduling in the near future include several countries that have come relatively recently to the Paris Club because of severe liquidity problems which could be overcome with continued strong adjustment efforts after one or two more reschedulings. Among the countries that have obtained repeated reschedulings, some have established a good track record of implementing adjustment programs and rescheduling agreements and their balance of payments situation has been improving, and there may be no need further reschedulings following the end of the latest consolidation period, or at most one subsequent (but possibly multi-year) consolidation. This is particularly the case for countries that are predominantly indebted to private creditors, once debt reduction operations by commercial banks have been completed, though in some cases a further strengthening of the adjustment effort may be required.

Overall, perhaps somewhat less than half of the 45 countries that have not yet graduated, could achieve graduation from Paris Club reschedulings over the next few years if adjustment efforts are pursued in a sustained fashion and appropriate balance of payments support continues to be made available on appropriate terms. This assessment is also based on the assumption that the external environment remains favorable; there are, of course, considerable downside risks given the vulnerability of many of the countries to adverse external developments.

b. More difficult prospects for viability

For the remaining countries, however, prospects for viability are less clear. In these cases, the stock of external debt remains very large in relation to their debt servicing capacity. This situation results in part from re-reschedulings, especially in those cases where the size and concessionality structure of the debt was already out of line with repayment capacity at the beginning of the series of reschedulings. Many of these countries have also experienced difficulties in the implementation of adjustment programs which led to a recurrent accumulation of arrears (which were subsequently rescheduled) or have faced large external shocks.

These broad circumstances characterize both some low-income countries and several of the lower-middle income countries that are largely indebted to official bilateral creditors. Some of these countries could achieve a strengthening of their external position sufficient to make full interest payments on their existing debt, especially if external developments became more favorable. The need for exceptional financing would persist, however, in large part because amortization payments on past Paris Club consolidations will become very heavy as grace periods from reschedulings in the late 1980s expire.

There are also a limited number of countries that face even more difficult prospects. Some of these countries had reschedulings in the mid-1980s but have since incurred arrears to virtually all creditors, including the Fund. Some others have just embarked on the process of structural adjustment, but their external debt situation has become so difficult that a return to normal relations with creditors remains a very distant prospect. Countries in this situation include some lower-middle-income countries while several low-income countries are confronted with an even more difficult long-term task. Projected improvements in payment capacity would continue to fall short of what would be required to restore normal relations even under highly optimistic assumptions regarding export growth, the magnitude and terms of financial support from traditional sources and the strength and sustainability of domestic policies.

4. Issues

Bilateral creditors continue to demonstrate their commitment to provide financing, including Paris Club creditors' readiness to provide cash flow relief needed in support of adjustment programs for low-income countries on concessional terms. As noted above, these support mechanisms, combined with continued strong adjustment, may well permit an exit from Paris Club reschedulings for many countries. Nonetheless, for others, the end of the rescheduling process is not yet in sight.

The central issue for bilateral creditors is how best to support the adjustment efforts of these countries so as to help them graduate from rescheduling and re-establish normal debtor-creditor relations. Creditors are prepared to offer postponements of debt service payments required to help meet the financing requirements over the period of a Fund-supported adjustment program. However, uncertainty about the continued availability of adequate financial support over the medium term leaves economic agents unsure of the extent to which their future output and wealth will be taxed to service debt. This uncertainty may undermine the chances of success of a major reorientation of policies aimed at increasing the role of the private sector in growth and development and at attracting foreign investment and other nondebt creating flows. Uncertain prospects for a return to viability in the medium term also raise questions regarding Fund support for member countries, including questions of prolonged use and capacity to repay the Fund.

In cases where a comprehensive policy reorientation is underway, official bilateral creditors are faced with the challenge to respond flexibly and in ways that would reduce these uncertainties and thus improve growth prospects and facilitate the attainment of a viable balance of payments position in which there is no further need for exceptional financing. This will require extraordinary support mechanisms in some cases. In designing approaches that would help bring future debt service burdens to more sustainable levels a wide range of options is open to creditors. Though attention has been focused on modifications to the terms of reschedulings, the range of options is not confined to operations on existing debts but includes other forms of direct support.

The option of providing new loans and grants, possibly on highly concessional terms, instead of concessions on existing debts may have considerable attraction. The experience of countries that have avoided debt reschedulings demonstrates that relatively high debt service ratios can be maintained if adequate financing is available on appropriate terms. Experience also shows that the possibilities of substituting new flows for cash relief on existing debts are circumscribed by a number of factors. One factor is that most new loans and grants have been tied to import financing and the extent to which such support can free the debtor country's own resources for debt servicing has proven to be quite limited, except for cases with a restricted and highly centralized import regime. Second, ODA committed by consultative groups is not always disbursed in full on a timely basis. Finally, budgetary processes of donors are generally not geared to make firm commitments over the medium term.

An important consideration will be the impact of various options on the budgets of creditors and donors. With respect to debt operations, ODA debt forgiveness has been financed by ODA budgets, and in most cases the cost of Toronto terms concessions has been dealt with through additional ODA allocations. Toronto terms have cost creditors some US$0.8 billion, in terms of the present value of the debt; over time, with further reschedulings, the cost would rise. From that perspective, while Toronto terms have been a welcome source of additional concessional assistance, the concessions inherent in repeated Toronto terms reschedulings may be larger than is needed to deal with debt problems in some cases. 1/ For other countries, however, Toronto terms are not enough. This underlines the importance of a case-by-case approach to concessions; that is, varying the terms in light of the country's needs.

An extension of concessional support to a wider range of countries would obviously have a more pronounced budgetary impact. The stock of pre-cutoff date debt owed by the low-income countries (excluding Nigeria) to Paris Club creditors amounts to some US$20 billion, while the stock of debt owed by the lower-middle income countries mainly indebted to official creditors (including Nigeria) is well in excess of US$100 billion. However, in contrast to many heavily indebted low-income countries, with strong adjustment the lower middle-income countries could be in a much better position to eventually service all of their debts, again underscoring the importance of a case-by-case approach to the assessment of problems and potential needs.

1/ There is a clear financial gain from further Paris Club reschedulings for countries that receive Toronto terms given the current practice of rescheduling debt service falling due over a limited consolidation period. For such cases it is important to find ways of overcoming the moral hazard involved, for example, by providing clear advantages to Paris Club graduation in terms of new ODA or other financial flows.

Table 5. Official Multilateral Debt Reschedulings, 1976-July 1990 1/

(Overview)

Debtor country 2/	Date of agreement Mo./Day/Yr.	Amount 3/	Type of debt consolidated 4/ Current	PRD	Consolidation period (months)	Rescheduled part 5/6/ (In percent) Prin.	Int.	Terms 5/7/ Grace	Maturity (In years)
Zaire I	6/16/76	270	PA	--	18	85	--	1.0	7.5
Zaire II	7/07/77	170	PI	--	12 8/	85	85	3.0	8.5
Zaire III	12/01/77	40	I	--	6	--	75	3.0	9.0
Zaire IV	12/11/79	1,040	PIAt	A	18	90	90	3.5	9.0
Zaire V	7/09/81	500	PI	--	12	90	90	4.0	9.5
Zaire VI	12/20/83	1,497	PtItAtL	PIAL	12	95	95	5.0	10.5
Zaire VII	9/18/85	408	PI	PI	15	95	95	4.9	9.4
Zaire VIII	5/15/86	429	PIR	--	12	100	100	4.0	9.5
Zaire IX	5/18/87	671	PIA	--	13	100	100	6.0	14.5
Zaire X	6/23/89	1,530	PIA	PI,[A]	13	100	100	7.9 *	24.4 *
Sierra Leone I	9/15/77	39	PIA	--	24	80	80	1.5	8.5
Sierra Leone II	2/08/80	37	PIA	--	16	90	90	4.2	9.7
Sierra Leone III	2/08/84	25	PIAt	PIA	12	90	90	5.0	10.0
Sierra Leone IV	11/19/86	86	PIAL	[PI]	16	100	100	4.8	9.2
Turkey I	5/20/78	1,300	PIAt	--	13	80	80	2.0	6.5
Turkey II	7/25/79	1,200	PIAs	--	12	85	85	3.0	7.5
Turkey III	7/23/80	3,000	PIAt	PIA	36	90	90	4.5	9.0
Gabon I	6/20/78	63	Ap	--	...	...	...	...	...
Gabon II	1/21/87	387	PI	--	15	100	90	3.9	9.4
Gabon III	3/21/88	326	PI	--	12	100	100	5.0	9.5
Gabon IV	9/19/89	545	PIA	--	16	100	100	4.0	10.0
Peru I	11/03/78	420	P	--	12	90	--	2.0	6.5
Peru II	7/26/83	466	PI	--	12	90	90	3.0	7.5
Peru III	6/05/84	704	PI	--	15	90	90	4.9	8.4
Togo I	6/15/79	260	PIA	--	21	80	80	2.8	8.3
Togo II	2/20/81	232	PI	--	24	85	85	4.0	8.5
Togo III	4/12/83	300	PIA	PI	12	90	90	5.0	9.5
Togo IV	6/06/84	75	PI	[PI]	16	95	95	4.8	9.3
Togo V	6/24/85	27	PI	--	12	95	95	5.0	10.5
Togo VI	3/22/88	139	PIAp	[PAp]	15	100	100	7.9	15.3
Togo VII	6/20/89	76	PI	[PI]	14	100	100	7.9 *	24.4 *
Togo VIII	7/10/90	90	--	[PI]	24	100	100	7.5 *	24.0 *
Sudan I	11/13/79	487	PIA	--	21	85	85	3.0	9.5
Sudan II	3/18/82	203	PIA	--	18	90	90	4.5	9.5
Sudan III	2/04/83	518	PtItAt	PIA	12	100	100	5.5	15.0
Sudan IV	5/03/84	249	PI	PI	12	100	100	6.0	15.5
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
Poland I	4/27/81	2,110	PIA	--	8	90	90	4.0	7.5
Poland II	7/15/85	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	12/16/87	9,027	PIAL	PI,[AL]	12	100	100	4.5	9.0
Poland V	2/16/90	9,350	PIAL	PIAL	15	100	100	8.3	13.7
Madagascar I	4/30/81	140	PIAt	--	18	85	85	3.8	8.3
Madagascar II	7/13/82	107	PIAt	--	12	85	85	3.8	8.3
Madagascar III	3/23/84	89	PIA	PIA	18	95	95	4.8	10.3
Madagascar IV	5/22/85	128	PI	[PI]	15	100	100	4.9	10.4
Madagascar V	10/23/86	212	PI	[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	7/9/90	181	PI	[PI]	13	100	100	7.6 *	24.1 *
C.A.R. I	6/12/81	72	PIA	--	12	85	85	4.0	8.5
C.A.R. II	7/08/83	13	PIA	--	12	90	90	5.0	9.5
C.A.R. III	11/22/85	14	PI	[P]	18	90	90	4.8	9.3
C.A.R. IV	12/14/88	28	PIA	[PAp]	18	100	100	8.0 *	24.5 *
C.A.R. V	6/15/90	4	--	[PI]	12	100	100	8.0 *	24.5 *
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	1/18/85	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	1/24/89	143	PI	PI 8/	14	100	100	7.7 *	24.2 *
Senegal VIII	2/12/90	107	PI	[PI] 8/	12	100	100	8.0 *	24.5 *
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	6/19/87	170	PIAL	PI	12	100	100	6.0	15.5
Uganda IV	1/26/89	89	PIAL	PIAL	18	100	100	7.8 *	24.1 *

Table 5. (continued). Official Multilateral Debt Reschedulings, 1976-July 1990 1/

(Overview)

Debtor country 2/	Date of agreement Mo./Day/Yr.	Amount 3/	Type of debt consolidated 4/ Current	PPD	Consolidation period (months)	Rescheduled part 5/6/ (In percent) Prin.	Int.	Terms 5/7/ Grace	Maturity (In years)
Romania I	7/28/82	234	PIA	--	12	80	80	3.0	6.0
Romania II	5/18/83	736	P	--	12	60	--	3.0	6.0
Malawi I	9/22/82	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	4/22/88	27	PIA	PAp	14	100	100	9.9	19.4
Costa Rica I	1/11/83	136	PIA	--	18	85	85	3.8	8.3
Costa Rica II	4/22/85	166	PIA	--	15	90	90	4.9	9.4
Costa Rica III	5/26/89	182	PIAL	AL	14	100	100	4.9	9.4
Zambia I	5/16/83	375	PIAt	--	12	90	90	5.0	9.5
Zambia II	7/20/84	253	PIA	PIA	12	100	100	5.0	9.5
Zambia III	3/04/86	371	PIA	PIA	12	100	100	5.0	9.5
Zambia IV	7/12/90	965	PIAL	PIAL	18	100	100	7.5 *	24.0 *
Mexico I	6/22/83	1,199	PAt	--	6	90	--	3.0	5.5
Mexico II 9/	9/17/86	1,747	PI	--	15	100	60	4.0	8.5
		165	P	--	3	100	--	3.8	8.3
Mexico III	5/30/89	2,400	PI	--	36	100	100-80	6.1	9.6
Ecuador I	7/28/83	142	PI	--	12	85	85	3.0	7.5
Ecuador II 9/	4/24/85	450	PAp	--	36	100-70	--	3.0	7.5
Ecuador III	1/20/88	438	PIA	PIA	14	100	100	4.9	9.4
Ecuador IV	10/24/89	397	PIA	(PIA)	14	100	100	5.9	9.4
Morocco I	10/25/83	1,152	PIA	--	16	85	85	3.8	7.3
Morocco II	9/17/85	1,124	PIA	--	18	90	90	3.8	8.3
Morocco III	3/06/87	1,008	PI	PI	16	100	100	4.7	9.2
Morocco IV	10/26/88	969	PI	(P)	18	100	100	4.7	9.2
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	--	12	100	--	5.0	9.5
Niger V	4/21/88	37	PI	--	13	100	75	10.0	19.5
Niger VI	12/16/88	48	PI	(PI)	12	100	100	8.0 *	24.5 *
Brazil I	11/23/83	2,337	PIA	--	17	85	85	4.0	7.5
Brazil II 9/	1/21/87	3,615	PIL	--	24	100	100	3.0	5.5
		563	P	--	6	100	--	3.0	5.5
Brazil III	7/29/88	4,992	PI	(Ap)	20	100	70	5.0	9.5
Côte d'Ivoire I	5/04/84	230	PI	--	13	100	50	4.0	8.5
Côte d'Ivoire II	6/25/85	213	PI	--	12	100	50	4.0	8.5
Côte d'Ivoire III 9/	6/27/86	370	P	--	36	80-60	--	4.1	8.6
Côte d'Ivoire IV	12/18/87	567	PIAL	PIAL	16	100	95	5.8	9.3
Côte d'Ivoire V	12/18/89	881	PIA	PA, (I)	16	100	100	7.8	13.3
Yugoslavia I	5/22/84	500	P	--	12	100	--	4.0	6.5
Yugoslavia II	5/24/85	812	P	--	18	90	--	3.8	8.3
Yugoslavia III	5/13/86	901	P	--	23	85	--	3.9	9.4
Yugoslavia IV	7/13/88	1,291	PIR	(PI)	15	100	100	5.9	9.4
Jamaica I	7/16/84	105	PIA	--	15	100	50	3.9	8.4
Jamaica II	7/19/85	62	PI	--	12	100	50	4.0	9.5
Jamaica III	3/05/87	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	4/26/90	179	PI	(PI)	15	100	100	4.8	9.3
Mozambique I	10/25/84	283	PIA	--	12	95	95	5.0	10.5
Mozambique II	6/16/87	361	PIAL	PI	19	100	100	9.7	19.3
Mozambique III	6/14/90	707	PIAL	PIAL	30	100	100	7.3 *	23.8 *
Philippines I	12/20/84	757	PI	--	18	100	60	4.8	9.3
Philippines II	1/22/87	862	PI	--	18	100	70	4.7	9.2
Philippines III	5/26/89	1,850	PIA	--	25	100	75	5.5	9.0
Argentina I	1/16/85	2,040	PIA	--	12	90	90	5.0	9.5
Argentina II	5/20/87	1,260	PIAL	--	14	100	100	4.9	[illegible]
Argentina III	12/21/89	2,450	PIA	P, (IA)	15	100	100	5.9	9.3
Somalia I	3/06/85	127	PIAt	--	12	95	95	5.0	9.5
Somalia II	7/22/87	153	PIA	PI	24	100	100	9.5	19.0
Mauritania I	4/27/85	68	PIA	--	15	90	90	3.8	8.3
Mauritania II	5/16/86	27	PI	--	12	95	95	5.0	9.5
Mauritania III	6/15/87	90	PI	--	14	95	95	5.9	[illegible]
Mauritania IV	6/19/89	52	PIA	(PI)	12	100	100	8.0 *	23.5 *
Dominican Rep. I	5/21/85	290	PIA	--	15	90	90	4.9	9.3

Table 5. (concluded). Official Multilateral Debt Reschedulings, 1976-July 1990 1/

(Overview)

Debtor country 2/	Date of agreement Mo./Day/Yr.	Amount 3/	Type of debt consolidated 4/		Consoli-dation period (months)	Rescheduled part 5/6/ (In percent)		Terms 5/7/ (In years)	
			Current	PRD		Prin.	Int.	Grace	Maturity
Chile I	7/17/85	146	P	--	18	65	--	2.8	6.1
Chile II	4/02/87	157	P	--	21	85	--	2.6	6.1
Equatorial Guinea I	7/22/85	38	PIAL	--	18	100	100	4.5	9.0
Equatorial Guinea II	3/2/89 10/	10	A	A	--	--	--	8.0	24.5 *
Panama I	9/19/85	19	P	--	16	50	--	2.8	7.3
Guinea I	4/18/86	196	PIAL	PIAL	14	95	95	4.9	9.4
Guinea II	4/12/89	123	PIA	PI, [A]	12	100	100	8.0 *	24.5 *
Bolivia I	7/17/86	449	PIAL	--	12	100	100	5.0	9.5
Bolivia II	11/14/88	226	PIA	PIAL	15	100	100	5.9	9.3
Bolivia III	3/15/90	276	PI	PI	24	100	100	7.5	24.0
Congo I	7/18/86	756	PIA	--	20	95	95	3.7	9.1
Tanzania I	9/18/86	1,046	PIAtL	--	12	100	100	5.0	9.5
Tanzania II	12/13/88	377	PIA	PIA	6	100	100	8.2 *	24.7 *
Tanzania III	3/6/90	199	PIAL	PIAL	12	100	100	8.0 *	24.5 *
Gambia, The I	9/19/86	17	PtItAt	--	12	100	100	5.0	9.5
Nigeria I	12/16/86	6,251	PIAtL	--	15	100	100	4.9	9.4
Nigeria II	3/3/89	5,600	PIAtL	PI,[AL]	16	100	100	4.8	9.3
Egypt I	5/22/87	6,350	PIAL	--	18	100	100	4.7	9.2
Guinea-Bissau I	10/27/87	25	PA	--	18	100	100	9.7	19.2
Guinea-Bissau II	10/26/89	21	PIAL	PIA	15	100	100	7.8 *	24.3 *
Mali I	10/27/88	63	PIA	--	16	100	100	7.8 *	24.3 *
Mali II	11/22/89	44	PIAt	Ai	26	100	100	7.4 *	23.9 *
Trinidad & Tobago I	1/25/89	209	PA	--	14	100	--	4.9	9.4
Trinidad & Tobago II	4/27/90	110	P	--	13	100	--	5.0	9.5
Guyana I	5/24/89	195	PtItAtL	--	14	100	100	9.9	19.4
Cameroon I	5/24/89	535	PIA	--	12	100	85	6.0	9.5
Benin I	6/22/89	193	PIAL	PIAL	13	100	100	7.9 *	24.4 *
Jordan I	7/19/89	587	PIA	--	18	100	50 8/	4.8	9.3
Angola I	7/20/89	446	PIAL	[PIAL]	15	100	100	6.0	9.5
Chad I	10/24/89 10/	38	PIAL	--	15	100	100	8.0 *	24.5 *

Sources: Agreed Minutes of debt reschedulings; and Fund staff estimates.

1/ Excludes debt renegotiations conducted under the auspices of aid consortia. Also excludes official debt reschedulings for countries not members of the Fund, but includes agreements with Poland signed prior to its date of membership in the Fund (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 consolidated as well as postponed maturities.

4/ "Current" stands for maturities not resulting from previous consolidations; "PRD" for debt service arising from previous reschedulings. Square brackets denote partial consolidations of PRD as indicated.

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(Ai) - Arrears on principal (interest), 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. An asterisk denotes concessional rescheduling under the options approach (Toronto terms). Grace period refers to Options A (partial cancellation) and C (interest rate reduction), maturity to Option B (extended maturities). The repayment period under Options A and C extends for 6 years after the end of the grace period; repayments under Option B begin half a year after the end of repayments under Options A and C.

8/ For part of the consolidation period only.

9/ Includes separate consolidation periods.

10/ Date of informal meeting of creditors on the terms to be applied in the bilateral reschedulings. Since only two creditors were involved for Equatorial Guinea and three creditors for Chad, creditors did not call for a full Paris Club meeting.