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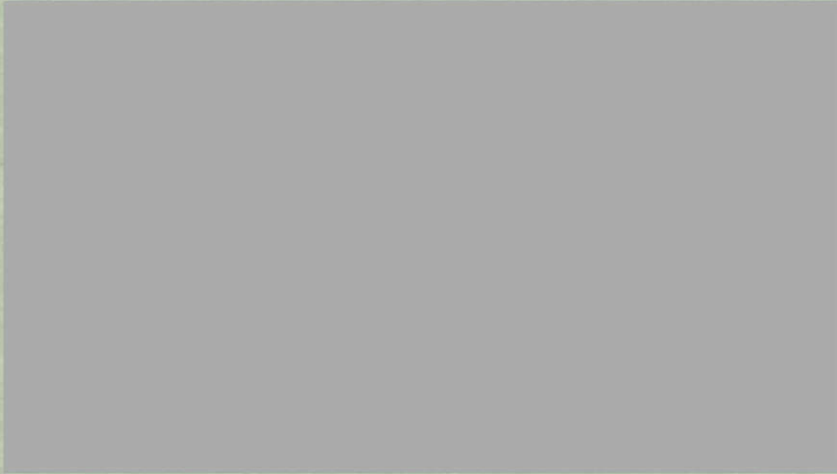
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Paris Club - General - 93-01 (Dec 13-15, 1993 meeting)

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PARIS CLUB - GENERAL

BACK TO OFFICE
REPORT

OFFICE MEMORANDUM

PARIS CLUB - GEN.

CONFIDENTIAL

DATE: December 21, 1993

TO: Mr. Michael Bruno, VP, DEC

FROM: Michael Lav, Economic Adviser, DPG

EXTENSION: 35092

SUBJECT: Back to Office Report: Paris Club - December 13-15, 1993

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WBG ARCHIVES

Introduction

1. The principal business during the Paris Club's December meeting was the negotiations with Viet Nam and the tour d'horizon.

Viet Nam

2. The rescheduling, which covered arrears only, is viewed as an exit rescheduling which will enable Viet Nam to fully service its obligations in the future. This determination was made on the basis of Viet Nam's payments capacity.

3. Within this framework, Viet Nam received the enhanced Toronto terms for its debt service during the consolidation period which provide a 50% reduction in the present value of these obligations. Although Viet Nam's per capita income and "IDA only" status should have made the granting of enhanced Toronto terms automatic, there was in fact considerable discussion on this point, with one creditor strongly arguing that Viet Nam's growth prospects differentiated it from the low income Sub-Saharan countries. However, in the end, this was not a convincing argument. Since this is considered to be an exit rescheduling, there is no goodwill clause under which creditors would have agreed to meet to discuss a reduction in the stock of debt.

4. The discussion on the eligibility of Viet Nam for enhanced Toronto terms shows that some creditors want to limit application of these terms to the IDA only countries of Sub-Saharan Africa and only a very few other countries seen as having limited growth prospects. This may be an important consideration in the forthcoming methodology session (see below).

Tour d'Horizon

5. The tour d'horizon covered the following countries:

AFR (Ethiopia, Equatorial Guinea, Kenya, Mali, Nigeria, Senegal, Tanzania,
Togo, Uganda, Zambia)

EAP (Viet Nam)

ECA (Albania, Poland, Russia, Yugoslavia)

LAC (Argentina, Bolivia, Brazil, Costa Rica, Dominican Republic, Guatemala, Guyana, Honduras)
MNA (Algeria, Iran, Syria)

6. Although no general themes emerged, a few of the country discussions are of special interest. Russia is meeting most debt service obligations under the existing rescheduling agreement (except for Japan and Italy for which bilateral agreements have not yet been signed and small amounts for Switzerland and the Netherlands). This is reassuring both in terms of Russia's commitment to meet its obligations, as well as in terms of its technical capacity to forecast and execute payments on time. However, the large debt obligations coming due during 1994 argue strongly for a second rescheduling. Most of the important creditors voiced strong support for basing the rescheduling on a Fund program, as would be normal in most circumstances. It remains to be seen how this will turn out. Concerning Iran, very large arrears (of which about 80% are to Paris Club creditors) have led most creditors to conclude that only a multilateral rescheduling, underpinned by a Fund program, would allow a regularization of the situation and a sustainable normalization of financial relations. However, no action has been taken given Iran's reluctance to seek an IMF program as well as concerns about other non-financial aspects of the situation. The creditors are hopeful that Algeria will be able to make progress on developing a program leading to a resolution of its payments problems. Syria has made proposals to regularize its financial relations with a number of creditors, but in view of its payments record and the unusual nature of the proposals, creditors do not yet see a basis for progress.

Next Steps

7. The next Paris Club meeting is scheduled for the week of January 17. In addition to the tour d'horizon, a methodology session will also further discuss implementation of debt stock treatment for the poorest countries, a subject previously discussed in June and October.

8. Mr. Ronald Brigish (IEC) attended the meetings with me, was introduced to the Secretariat and many of the delegates, and has been fully briefed to ensure a smooth transition as he assumes responsibility within IEC for our Paris Club activities.

Cleared with and cc: Mr. Baird

Messrs./Mmes. Karaosmanoglu; Sandstrom; Stern; Jaycox, Kaji, Koch-Weser, Thalwitz, Wood; Linn; Kashiwaya; Edwards, I. Husain, Thomas, Nankani, Selowsky; Ahmed, Gelb, Brigish; Donovan, Nishimizu, Bhattacharya; Pfeffermann; Shakow
Wyss, Handwerger, Paris Office
Institutional ISC

Messrs./Mmes. Guerard, Katz, Rosenberg (African Countries)
Lafourcade, Derbez, AF1
Colaco, Carter, AF2
Aguirre-Sacasa, Gorjestani, AF3
Lim, Salop, AF4
Marshall, Sarbib, Lewis, AF5
Denning, Patel, AF6
Hamilton, Kilby, SA1
Vergin, Khalilzadeh-Shirazi, SA2
Isenman, Penalver-Quesada, SA3
Madavo, Ikram, EA1
Burki, Pearce, EA2
Haug, Shilling, EA3
Wiehen, Levy, EC1
Dervis, Noel, EC2
Cheetham, Huang, Yurukoglu, Toft, EC3
Kavalsky, Kanaan, Grais, EC4
Kholi, Ayub, MN1
Chopra, Voyadzis, MN2 (Hoppenbrouwer/Sharma (Syria))
Steckhan, Papageorgiou, LA1
Segura, de Ferranti, LA2C1
Segura, Lacey, LA2C2
Abe, de Tray, LA3C1
Abe, Delvoie, LA3C2
Loh, Dowsett-Coirolo, LA4

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: June 24, 1993 05:16am

TO: Nisha Agrawal (NISHA AGRAWAL)

FROM: Michael Lav, DPG (MICHAEL LAV)

EXT.: 35092

SUBJECT: Tanzania - Paris Club discussion

Nisha,

The salient points of the tour d'horizon for Tanzania are below, for your use in preparing for the cg meeting as we discussed.

The Fund reported that a mission hd just returned, nd that because macro was off track, a Board review would be scheduled only in the 3rd quarter (as you mentioned to me).

Tanzania has committed to making payments by the end of June; France, US, and Canada have not yet been paid.

The creditors will insist on payments before extending the consolidation period (needed since Fund program slipping).

The Netherlands also mentioned its bilateral accord not yet signed.

Fund mentioned that in October, as Fund reviews the program, there would be need to discuss how the multi-year program might need to be adjusted.

In terms of clearing the air for the cg, the main points would be to encourage Tanzania to pay France, US, and Canada, if there is an appropriately diplomtic way in which we can do this.

My bto will be out next week.

Mike

CC: Michael Carter
CC: Institutional ISC Files

(MICHAEL CARTER)
(INSTITUTIONAL ISC FILES)

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: June 24, 1993 05:00am

TO: Spiros Voyadzis (SPIROS VOYADZIS)

FROM: Michael Lav, DPG (MICHAEL LAV)

EXT.: 35092

SUBJECT: Paris Club - Egypt

Spiros,

The Paris Club discussion on Egypt went well. I presented paragraph three from the aide-memoire, and some supplementary details, as we had discussed. The creditors were of course interested in timing; I said that a return mission was now scheduled for September as in the aide-memoire.

A communication is being drafted for Trichet's signature emphasizing the need for a Fund program to trigger the second tranche - This will also refer to the need to conclude bilateral agreements (with Italy among others).

The communication may hint at concerns about delays in the context of needing to implement tranche 3 as well as tranche 2. However, the Paris Club secretariat confirmed that there were no financial implications for not implementing tranche 2 (or tranche 3) until June, 1994.

My BTO will follow next week

Mike

CC: Institutional ISC Files

(INSTITUTIONAL ISC FILES)

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: June 18, 1993 10:23am

TO: Federico Changanqui (FEDERICO CHANGANAQUI)

FROM: Michael Lav, DPG (MICHAEL LAV)

EXT.: 35092

SUBJECT: Costa Rica - Paris Club Presentation

Federico,

Thanks for the Paris Club materials. They are exactly what is needed.

I'll be in touch about the results as soon as they are available.

Mike

CC: Robert Lacey (ROBERT LACEY)
CC: Institutional ISC Files (INSTITUTIONAL ISC FILES)

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: June 17, 1993 10:52am

TO: Luis E. Derbez (LUIS E. DERBEZ)

FROM: Michael Lav, DPG (MICHAEL LAV)

EXT.: 35092

SUBJECT: Benin - Paris Club presentation

Thank you for the materials for the Paris Club. They are exactly what is needed.

CC: Antoinette Sayeh (ANTOINETTE SAYEH)

CC: Institutional ISC Files (INSTITUTIONAL ISC FILES)

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: June 15, 1993 05:46pm

TO: Masood Ahmed (MASOOD AHMED)

FROM: Michael Lav, DPG (MICHAEL LAV)

EXT.: 35092

SUBJECT: Discussion with Paris Club secretariat of your paper
"Resolving the Debt Problem of the African SILICs"

Masood,
Anando feels that it would be okay for me to stay in Paris through Friday to participate in the discussion of your paper with the Paris club secretariat at 3 p.m.

He does want me to call him on Tuesday, just to check if anything urgent has arisen which might require my returning to Washington on Thursday.

I'll be staying at the Grand Hotel. We could get together at your convenience Friday and go to the Treasury together.

I'm looking forward to the discussion.
Mike

CC: Anandarup Ray (ANANDARUP RAY)
CC: Institutional ISC Files (INSTITUTIONAL ISC FILES)

PARI-GEN

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: June 14, 1993 10:34am

TO: Masood Ahmed (MASOOD AHMED)

FROM: Michael Lav, DPG (MICHAEL LAV)

EXT.: 35092

SUBJECT: Paris Club Secretariat discussion of Africa SILIC paper

Masood,

The Paris Club secretariat (Cirelli, Sirat) would be happy to see you Friday at 3:00 at the French Treasury, 139 Rue de Bercy - Room 6060.

They are looking forward to receiving the paper.

Let me know if there is anything further I can do.

Mike

CC: Institutional ISC Files (INSTITUTIONAL ISC FILES)

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: July 14, 1993 10:03am

TO: Ning Zhu (NING ZHU)

FROM: Michael Lav, DPG (MICHAEL LAV)

EXT.: 35092

SUBJECT: Paris Club debt

The Paris Club frequently reschedules previously rescheduled debt. However, creditors prefer not to, so this is resorted to only in cases where rescheduling of debt not previously rescheduled would provide inadequate resources for the financing plan. Nevertheless, such cases are numerous and I could give you a long list of country examples if you would like.

The cut-off date refers to the original date on which the debt was contracted; this of course is not affected by subsequent rescheduling(s).

Please let me know if you need anything more.

Mike

CC: Ronald Johannes (RONALD JOHANNES)
CC: Institutional ISC Files (INSTITUTIONAL ISC FILES)

PARI-GEN

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: June 11, 1993 05:09pm

TO: Masood Ahmed (MASOOD AHMED)

FROM: Michael Lav, DPG (MICHAEL LAV)

EXT.: 35092

SUBJECT: Paris Club discussion

Masood,

I will check on Monday about a Friday afternoon meeting with the Paris Club secretariat.

However, concerning my participation, since I would otherwise be free to leave Paris on Thursday, rather than on Saturday as would be implied by a Friday afternoon session, I'm not sure that my staying is fully warranted. Your views?

I would of course be happy to bring copies of the paper with me when I go to Paris next Saturday (Saturday week).

Mike

CC: Institutional ISC Files (INSTITUTIONAL ISC FILES)

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: June 10, 1993 05:51pm

TO: Luis E. Derbez (LUIS E. DERBEZ)

FROM: Michael Lav, DPG (MICHAEL LAV)

EXT.: 35092

SUBJECT: Benin - Paris Club Debt Rescheduling

As you know, Benin has been scheduled by the Paris Club for debt rescheduling negotiations on June 21.

For the negotiations, we will need a 3-4 page (double spaced) speech covering Benin's stabilization program (very briefly, since this will be reviewed in detail by the Fund), the country's medium term prospects and problems, the country's adjustment program to address these problems, and, finally, a paragraph endorsing rescheduling of Benin's debt obligations.

We will also need a brief table showing IDA disbursements and repayments by principal and interest for the duration of the Fund program. It is important to touch base with your Fund counterparts to ensure that they are aware of our numbers. The reason for this is that if the Fund is using different numbers, the discrepancy will show up at the last minute in Paris, and cause difficulties for the rescheduling.

I would appreciate receiving the speech and the table in hard copy and diskette, to facilitate any editing or formatting changes which might be needed. I will of course touch base with you if any substantial changes appear warranted.

I could send an example to you if that would be useful, although if I recall accurately, the last presentation for Benin was quite good.

Could I have the materials by noon on Thursday, June 17, to leave adequate time for review and discussion.

I will, of course, send you the results of the rescheduling as soon as possible, probably by fax on June 22nd.

Many thanks in advance.

CC: Olivier Lafourcade	(OLIVIER LAFOURCADE)
CC: Lawrence E. Hinkle	(LAWRENCE HINKLE)
CC: Antoinette Sayeh	(ANTOINETTE SAYEH)
CC: Magda Khouzam	(MAGDA KHOUZAM)
CC: Institutional ISC Files	(INSTITUTIONAL ISC FILES)

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: June 10, 1993 05:53pm

TO: Robert Lacey (ROBERT LACEY)

FROM: Michael Lav, DPG (MICHAEL LAV)

EXT.: 35092

SUBJECT: Costa Rica - Paris Club Debt Rescheduling

As you may know, Costa Rica has been scheduled for debt rescheduling negotiations by the Paris Club on June 22nd.

For the meeting, we will need a formal presentation of about 3-4 pages double spaced. The speech should (1) review stabilization measures very briefly, since the IMF presentation will go into some detail here, (2) present our views on the country's medium term development problems and the adjustment program designed to address those problems, (3) present our assistance program with an emphasis on adjustment lending, and (4) end with an endorsement of the rescheduling of Costa Rica's debt (I assume we concur).

We will also need a brief table showing projected IBRD disbursements and repayments by principal and interest during the length of the Fund program, which will also be the length of the consolidation period (1993).

It is important to touch base with your IMF counterparts concerning our projected disbursements and repayments, since the Paris Club will use our numbers for these, but Fund numbers of the rest of the balance of payments. Therefore, if the Fund is not using our numbers for IBRD disbursements/debt service, the discrepancies will show up as a different rescheduling requirement from that identified by the Fund and this will cause last minute problems for the rescheduling. (This problem did in fact occur during the last rescheduling for Costa Rica.) Please let me know if you have any outstanding problems with the Fund on this matter.

I would appreciate receiving both the speech and the table in both hard copy and diskette, to facilitate any editorial or formatting changes which might be necessary. I will of course touch base with you if any changes are being made. (I can send an example if that would be useful, although the last presentation for Costa Rica was quite good.)

Would it be possible to have the materials by Noon Thursday, June 17th ?

I will fax to you the results of the negotiations, probably on June 23.

Thank you in advance.

CC: Edilberto L. Segura (EDILBERTO L. SEGURA)

CC: Baran Tuncer
CC: Federico Changanahui
CC: Institutional ISC Files

(BARAN TUNCER)
(FEDERICO CHANGANAQUI)
(INSTITUTIONAL ISC FILES)

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: June 8, 1993 08:22am

TO: Michael Lav

(MICHAEL LAV)

FROM: Ronald Johannes, IECDI

(RONALD JOHANNES)

EXT.: 33802

SUBJECT: RE: Paris Club Information

Mike:

Understood that the needs of the country and the state of its compliance with a Fund program are critical. But do you have a list of countries whose consolidation periods end in 1993 or 1994? Would appreciate. Thanks.

CC: Institutional ISC Files

(INSTITUTIONAL ISC FILES)

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: June 7, 1993 04:55pm

TO: Ronald Johannes (RONALD JOHANNES)

FROM: Michael Lav, DPG (MICHAEL LAV)

EXT.: 35092

SUBJECT: Paris Club Information

Ron,

I'm afraid that this sort of information is not available. The Paris Club decides on which countries to invite based largely on when IMF programs are approved by the Fund Board. Therefore, it is only about 1 month in advance of a rescheduling that the information you asked for is known with any certainty. The set of countries which have received reschedulings in the past, and for which the consolidation periods expire in 1993 and 1994 is of course known. But whether these countries need a subsequent rescheduling, or are qualified for one, is only known as noted above.

Mike

CC: Institutional ISC Files (INSTITUTIONAL ISC FILES)

PARIS-GENJAC

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: May 4, 1993 04:53pm

TO: Janet Entwistle (JANET ENTWISTLE)

FROM: Michael Lav, DPG (MICHAEL LAV)

EXT.: 35092

SUBJECT: Peru - Paris Club

Janet,

I've asked Desmond to be sure to fax the agreed minutes and press release when they are available directly to you and Demetrious. (The discussions on Peru could continue tomorrow.) If I hear anything, I'll inform, - perhaps you could let me know similarly.

Mike

CC: Institutional ISC Files (INSTITUTIONAL ISC FILES)