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THE WORLD BANK

Washington, D.C.

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Paris Club - 94-02 (June 27-30, 1994 meeting)

  
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# OFFICE MEMORANDUM

DATE: July 6, 1994

TO: Mr. Masood Ahmed, Director, IEC

FROM: R.P. Brigish, Adviser, IEC

EXTENSION: 33868

SUBJECT: Paris Club Meeting: June 27-30, 1994

## *Introduction*

1. Rescheduling negotiations were held with Ecuador, Jordan and the Congo, the results of which are summarized below. Two items of note which arose either in the tour d' horizon or during the heads of delegation dinner were: i) the United States delegation indicated that Russia had signaled a desire to join the Paris Club as a creditor; and ii) Croatia had accepted the Paris Club formula for the attribution of non-allocated debt of the former Yugoslavia. These and other matters are summarized in country pages attached to this memorandum.<sup>1</sup> It was announced that Mme. Obolensky had been appointed to a senior position at the European Investment Bank, and was being replaced by Mr. Favour.

## *Ecuador*

2. Creditors were supportive of the Government's adjustment program. Some expressed the belief that the economy would respond to policy reforms with buoyancy. They were thus firm in their resolve to design this rescheduling as an exit arrangement, and were consequently unwilling to consider the Government's request for a consolidation of 1995 obligations. They counseled the Government to recognize that the benefits of an early exit from the Paris Club would be greater than the financing that would be obtained from debt relief covering an additional year.

3. Ecuador was accorded Houston terms, with very broad coverage (both arrears and previously rescheduled debt being included in the rescheduling).

## *Jordan*

4. Jordan was praised by many creditors for its payment efforts and for the robustness of its adjustment program, although there was a hint by one delegation that Jordan needed to do more to raise funds from Arab sources. The uncertainty underlying Jordan's prospects was generally recognized, although there were items in the Government's request which were not fully met. Houston terms were accorded -- softened quite considerably by graduated payments -- but previously rescheduled debt and obligations due under Jordan's

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<sup>1</sup> Countries discussed during the tour d' horizon were Brazil, Burkina Faso, Cambodia, Croatia, Egypt, Guatemala, Honduras, Mauritania, Mozambique, Peru, Russia and Syria

many lease arrangements were excluded from the deal. Jordan's request to raise the percentage of obligations that could be subject to swaps to 20% was not accepted.

### *Congo*

5. The rescheduling was preceded by much discussion on whether to accord Enhanced Toronto terms to the Congo in light of the Bank's decision to grant the country access to IDA resources. The Government said it felt the country would be penalized for being an oil producer if enhanced concessions were not to be accorded. On the other hand, Congo's economic management and payment record were considered to be far from satisfactory by creditors. Since no consensus could be reached on the question of enhanced concessions, and in order to avoid a repeat of the practice followed by several creditors under the Cote d'Ivoire and Cameroon agreements of selecting the non-concessional option, it was decided to accord Houston terms to Congo. Indeed, bowing to the inevitability of this result, the Government modified its request to "at least Houston terms".

6. Houston terms were accorded on current dues, with less favorable terms being granted for the arrears. The scope of the rescheduling was quite comprehensive, covering all pre cut-off date obligations, with some deferral of post cut-off date dues. There were no graduated payments. There is a tacit agreement among creditors to be more inclined to grant enhanced concessions on Congo's expected return to the Paris Club in 1995 once it enters into an ESAF with the Fund.

### *Summary*

7. Reschedulings to date in 1994 are summarized below.

Paris Club Rescheduling Agreements 1994					
US\$ millions					
Country	Date	Amount	Cut-off-date	Consolidation period through	Terms
Kenya	19-Jan-94	535	31-Dec-91	arrears end-'93(2)	Standard (1)
Senegal	3-Mar-94	237	1-Jan-83	31-Dec-95	Enhanced Toronto
Niger	4-Mar-94	160	1-Jul-83	31-Mar-95	Enhanced Toronto
Cote d'Ivoire	22-Mar-94	1,849	1-Jul-83	31-Mar-97	Enhanced Toronto
Cameroon	24-Mar-94	1,259(*)	31-Dec-88	3 -Sept-95	Enhanced Toronto(3)
CAR	12 Apr 94	33	1-Jan-83	31-Mar-95	Enhanced Toronto
Bulgaria	13-Apr-94	200	1-Jan-91	30-Apr-95	Standard
Gabon	15-Apr-94	1,360	1-Jul-86	31 -Mar-95	Standard (modified)
Algeria	31-May-94	5,000	30-Sept-93	31-May-95	Standard (modified) (1)
Russia	4-June-94	7,100	1-Jan-91	31-Dec-94	Standard (modified) (1)
Ecuador	27-June-94	300	1-Jan-83	31-Dec-94	Houston (2)
Jordan	28-June-94	1,200	1-Jan-89	31-May-97	Houston (1)
Congo	30-June-94	1,000 (4)	1-Jan-86	31-May-95	Houston

(1) With graduated payments

(2) Exit agreement

(3) on current maturities only. Houston terms on arrears

(4) of which about 10% was deferred

(\*) of which about 2/3 were arrears.



*Next Meeting*

8. The final meeting prior to the summer recess is to be held during the week of July 18. Sierra Leone has been scheduled for negotiations. There is at this point no intention to accede to the request of the Philippines' authorities for a rescheduling, on the grounds that debt relief is no longer considered appropriate for that country.

AttachmentDistribution

Messrs/Mmes: Karaosmanoglu, Sandstrom, Stern, Bruno, Jaycox, Kaji, Koch-Weser, Thalwitz, Wood, Linn, Burki, Kashiwaya, Baird, Edwards, I. Husain, Thomas, Nankarni, Page, Selowsky, Gelb, Donovan, Nishimizu, Bhattacharya, Lav, Pfeffermann, Shakow, Johannes, Jun, Reyes, Wyss, Handwerger, Institutional ISC.

Messrs/Mmes: Guerard, Katz, Rosenberg (African Countries)  
Lafourcade, Derbez, AF1  
Marshall, Sarbib, AF5  
Denning, Patel, AF6  
Madavo, Ikram, EA1  
Dervis, Noel, EC2  
Cheetham, Huang, EC3  
Steckhan, Papageorgiou, LA1  
Segura, Lacey, LA2  
Loh, Dowsett-Coirolo, LA4  
Chopra, Voyadzis, MN2

RBrigish/mct



# Record Removal Notice



<b>File Title</b> Paris Club - 94-02 (June 27-30, 1994 meeting)		<b>Barcode No.</b>  1234100		
<b>Document Date</b> 29 June, 1994	<b>Document Type</b> Report			
<b>Correspondents / Participants</b>				
<b>Subject / Title</b> Summaries of Paris Club Discussions				
<b>Exception(s)</b> Information Provided by Member Countries or Third Parties in Confidence				
<b>Additional Comments</b>		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td><b>Withdrawn by</b> Tonya Ceesay</td><td><b>Date</b> 4/20/2016</td></tr></table>	<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 4/20/2016
<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 4/20/2016			



TELEX

DU TRESOR SON NUMERO 833 26/7/93 POUR M. FERNANDO HENRIQUE CARDOSO  
MINISTRE DES FINANCES DU BRESIL

MR MINISTER,

ON BEHALF OF THE PARIS CLUB CREDITOR COUNTRIES ALLOW ME TO CONGRATULATE YOU ON YOUR APPOINTEMENT AS MINISTER. THE CREDITOR COUNTRIES LOOK FORWARD TO A CONTINUING PRODUCTIVE RELATIONSHIP WITH THE BRAZILIAN AUTHORITIES.

IN YOUR LETTER DATED MAY 15, 1993, YOU ASKED THE CREDITOR COUNTRIES TO POSTPONE AGAIN THE DEADLINE OF DECEMBER 31, 1992 REFERRED TO IN ARTICLE IV.4 OF THE AGREED MINUTE OF FEBRUARY 26, 1992, THAT THE CREDITOR COUNTRIES HAD ACCEPTED TO POSTPONE TO MAY 31, 1993. THE CREDITOR COUNTRIES NOTE THAT THE CONDITIONS FOR THE SECOND STAGE HAVE NOT BEEN MET.

CREDITOR COUNTRIES ARE VERY CONCERNED BY THE FACT THAT THE REVIEW OF THE ARRANGEMENT WITH THE INTERNATIONAL MONETARY FUND HAS NOT BEEN COMPLETED AND THAT AGREEMENT HAS NOT BEEN REACHED WITH THE INTERNATIONAL MONETARY FUND BEFORE MAY 31, 1993. NEVERTHELESS, CREDITOR COUNTRIES ACCEPT NOT TO TAKE ACTION AT THIS TIME. BUT ON BEHALF OF THEM I URGE YOU TO DO YOUR UTMOST TO REACH AS SOON AS POSSIBLE AN ARRANGEMENT WITH THE FUND. CREDITOR COUNTRIES RESERVE THE RIGHT TO IMPLEMENT THE PROVISIONS OF ARTICLE IV.4 OF THE SAID AGREED MINUTE IF THEY DEEM IT NECESSARY.

THE CREDITOR COUNTRIES ARE ALSO VERY CONCERNED BY THE FACT THAT YOU HAVE NOT YET CONCLUDED ALL BILATERAL AGREEMENTS AND URGE YOU TO DO SO WITHOUT DELAY.

PLEASE ACCEPT, MR MINISTER, THE ASSURANCES OF MY HIGHEST ESTEEM AND OF MY BEST REGARDS.

SIGNE :

*Faher with  
a disbursement.*

EN REPONSE A LA LETTRE DE M. PAULO ROBERTO HADDAD, MINISTRE  
DES FINANCES / RESIL. LE JE VOI I TRANSMISE PAR TELEX 793-201  
DB DU 16 FEVRIER. VOUS VOUDREZ BIEN TROUVER CI-APRES LE TEXTE DE LA  
LETTRE QUE NOUS AVONS ENVOYEE A M. ELIZEU REZENDE, SON SUCCESSEUR.

DEBUT DE CITATION :

MR MINISTER,

ON BEHALF OF THE PARIS CLUB CREDITOR COUNTRIES ALLOW ME TO  
CONGRATULATE YOU ON YOUR APPOINTMENT AS MINISTER. THE CREDITOR  
COUNTRIES LOOK FORWARD TO A CONTINUING PRODUCTIVE RELATIONSHIP WITH  
THE BRAZILIAN AUTHORITIES.

IN A LETTER DATED FEBRUARY 1, 1993, YOUR PREDECESSOR, MR  
PAULO ROBERTO HADDAD, HAS ASKED THE CREDITOR COUNTRIES TO POSTPONE  
THE DEADLINE OF DECEMBER 31, 1992 REFERRED TO IN ARTICLE IV.4 OF THE  
AGREED MINUTE OF FEBRUARY 26, 1992.

FIRST OF ALL, CREDITOR COUNTRIES ASKED ME TO CONVEY THEIR  
CONCERN ABOUT ACCUMULATION OF ARREARS VIS-A-VIS THEM INCLUDING ON  
POST CUT OFF DATE AND SHORT TERM CLAIMS. THEREFORE THEY URGE YOU TO  
DO YOUR UTMOST TO CLEAR THESE ARREARS IMMEDIATELY AND COMPLETE A  
RECONCILIATION OF DEBTS REFERRED TO IN ARTICLE 11.1.

HOWEVER, I AM PLEASED TO INFORM YOU THAT THE CREDITOR  
COUNTRIES HAVE DECIDED TO POSTPONE THE ABOVE MENTIONED DEADLINE TO  
MAY 31, 1993. IN THE MEANTIME, THE PROVISIONS OF THE AGREED MINUTE OF  
FEBRUARY 26, 1992 WILL ALSO APPLY TO AMOUNTS DUE FROM FEBRUARY 1,  
1993 ON CREDITS, LOANS AND CONSOLIDATIONS MENTIONED IN PARAGRAPH 11.1  
OF THE AGREED MINUTE.

LET ME STRESS HOWEVER THAT BEFORE MAY 31, 1993, YOU WILL  
HAVE EITHER TO COMPLETE THE REVIEW OF THE ARRANGEMENT APPROVED BY THE  
INTERNATIONAL MONETARY FUND LAST YEAR OR TO REACH A NEW APPROPRIATE  
ARRANGEMENT WITH THE FUND. PAYMENTS REFERRED TO IN ARTICLE II.2.1  
WILL ALSO HAVE TO BE COMPLETED BEFORE THIS DATE. IF THAT WERE NOT THE  
CASE, CREDITOR COUNTRIES MAY TERMINATE THE ARRANGEMENT : IN THIS CASE  
THE EXTENSION OF THE CONSOLIDATION PERIOD WILL CEASE AND ALL  
MATURITIES DUE FROM FEBRUARY 1, 1993 WILL HAVE TO BE PAID ACCORDING  
TO THE ORIGINAL SCHEDULES.

PLEASE ACCEPT, MR MINISTER, THE ASSURANCES OF MY HIGHEST  
ESTEEM AND OF MY BEST REGARDS.

FIN DE CITATION

AMICALEMENT.

SIGNE : ARIANE UBOLENSKY

=====

886747 BMWI D

TREASOR 214700F

Message: 0520-01 emms

Le 01.04.93 a 16 h 41



**SECOND TELETYPE**

PARIS LE 01/03/93

DE TRESOR SON NUMERO 93/247-MHG.

EN REPONSE A LA LETTRE DE M. PAULO ROBERTO HADDAD, MINISTRE DES FINANCES DU BRESIL, QUE JE VOUS AI TRANSMISE PAR TELEX NO 93-20108 DU 16 FEVRIER, VOUS VOUDREZ BIEN TROUVER CI-APRES LE TEXTE D'UN PROJET DE MESSAGE D'ATTENTE QUE JE ME PROPOSE DE LUI ADRESSER, SAUF OBJECTION DE VOTRE PART AVANT LE 7 MARS.

DEBUT DE CITATION :

"MR MINISTER,

I REFER TO YOUR LETTER DATED FEBRUARY 1, 1993 THAT I TRANSMITTED TO THE CREDITOR COUNTRIES.

THE CREDITOR COUNTRIES ASKED ME TO INFORM YOU THAT THEY WILL BE IN A POSITION TO GIVE YOU THEIR ANSWER ABOUT YOUR REQUEST TO POSTPONE TO A LATER DATE THE DEADLINE OF DECEMBER 31, 1992 REFERRED TO IN ARTICLE IV.4 OF THE AGREED MINUTE OF FEBRUARY 26, 1992 BY THE END OF MARCH.

IN THE MEANTIME, THE PROVISIONS OF THE AGREED MINUTE OF FEBRUARY 26, 1992 WILL CONTINUE TO APPLY.

THE CREDITOR COUNTRIES WILL ATTACH THE GREATEST IMPORTANCE TO THE EFFORTS YOUR COUNTRY WILL HAVE MADE EITHER TO COMPLETE THE REVIEW OF THE ARRANGEMENT APPROVED BY THE INTERNATIONAL MONETARY FUND LAST YEAR OR TO REACH A NEW ARRANGEMENT WITH THE FUND.

PLEASE ACCEPT, MR MINISTER, THE ASSURANCES OF MY HIGHEST ESTEEM AND OF MY BEST REGARDS, . . .

FIN DE CITATION

AMICALEMENT.

SIGNE : ANNE LE LORIER

NNN

DIVISION DES AFFAIRES FINANCIERES -

DASO MARANHÃO COIMBRA  
Chefe de Divisão

SECRETARIA DO TESOIRO NACIONAL ...  
COREX / DIPAR

Departamento de Operações das Reservas Internacionais

SBS - Quadra A - Bloco B - Ed. Sede - 5º andar

70074 - Brasília (DF)

MINIST. FAZENDA - ANEXO  
SALA 14C

3143196

Tel. (061) ~~3143196~~

Fax (061) 236-1097

~~Tel. (61) 1810~~



270969+  
AMSUI 270969F  
168 2256 ■  
TRESOR 220962F

- 1 -

F1/AX940XX

MONSIEUR KAUSCH - A BONN ( ALLEMAGNE )  
MONSIEUR FRENCH - MINISTERE DES AFFAIRES ECONOMIQUES ET  
FINANCIERES - DELEGATION AUSTRALIENNE AUPRES DE L' O.C.D.E. A  
PARIS  
MONSIEUR ROCHEL - - AMBASSADE D' AUTRICHE A PARIS  
MADAME WEISSBACHER - BUNDESMINISTERIUM FUR FINANZ A VIENNE  
(AUTRICHE)  
MONSIEUR LEMAIRE -- ADMINISTRATION DE LA TRESORERIE A BRUXELLES ( BELGIQUE )  
MONSIEUR DUPONT AFFAIRES ECONOMIQUES - AMBASSADE DU CANADA A  
PARIS  
MONSIEUR SVANE -- AMBASSADE DU DANEMARK A PARIS  
MONSIEUR BODELSEN MINISTRY OF FOREIGN AFFAIRS - COPENHAGUE  
(DANEMARK)  
MADAME IRANZO - MINISTERIO DE ECONOMIA Y HACIENDA - MADRID  
(ESPAGNE)  
MONSIEUR SEMPERE - AMBASSADE D'ESPAGNE A PARIS  
MONSIEUR JOE YUN - - AMBASSADE DES ETATS -UNIS D'AMERIQUE A  
PARIS  
MADAME KIEKKO DELEGATION DE LA FINLANDE AUPRES DE L'O.C.D.E. A  
PARIS  
MONSIEUR MAC HALE - DEPARTMENT OF INDUSTRY AND COMMERCE - DUBLIN  
(IRELANDE)  
MONSIEUR ZAMBONI - MINISTERIO AFFARI ESTERI - (ITALIE)  
MONSIEUR ARICHI -AFFAIRES FINANCIERES - AMBASSADE DU JAPON A PARIS  
MONSIEUR BERNTZEN - MINISTERE DES AFFAIRES ETRANGERES A OSLO  
(NORVEGE)  
MADAME VAN EE - - MINISTRY OF FINANCE - LA HAYE (PAYS -BAS)  
MONSIEUR MORTIMER - H.M. TREASURY AEF DIVISION - LONDRES (GRANDE -  
BRETAGNE)  
MADAME CARIN WALL - MINISTERE DES FINANCES - STOCKHOLM (SUEDE)  
MONSIEUR WINZAP- AFF. ECONOMIQUES ET FINANCIERES - AMBASSADE DE  
SUISSE A PARIS

PARIS LE 17/06/94  
DU TRESOR SON NUMERO : 94/292/MC  
POUR L'ENSEMBLE DES PAYS CREANCIERS (VOIR LISTE JOINTE)

VOUS VOUDREZ BIEN TROUVER CI-JOINT LE TEXTE DE LA LETTRE  
QUE NOUS ADRESSERONS LE 22 JUIN PROCHAIN A MONSIEUR RICUPERO,  
MINISTRE DES FINANCES DU BRESIL, SAUF OBJECTION DE VOTRE PART D'CI  
LA.

DEBUT DE CITATION

'MR MINISTER,

THE CREDITOR COUNTRIES ASKED ME TO INFORM YOU THAT MOST OF  
THEM HAVE REPORTED ARREARS WITH RESPECT TO PAYMENT OBLIGATIONS DUE  
TO THEM BOTH ON PRE AND POST CUT OFF DATE DEBT, IN SPITE OF THE

.../...

DECISION OF BRAZIL TO MAINTAIN ALL PAYMENTS DUE TO PARIS CLUB CREDITORS ON A CURRENT BASIS, AS EXPRESSED IN THE LETTER OF MR FERNANDO HENRIQUE CARDOSO DATED SEPTEMBER 24, 1993.

THE CREDITOR COUNTRIES WOULD LIKE TO STRESS THE IMPORTANCE THAT THEY ATTACH TO YOUR COMMITMENT. THEY ARE PREPARED TO DO ALL EFFORTS NEEDED FROM THEIR PART TO INFORM YOU, ON DUE TIME, ON ALL OUTSTANDING ARREARS. THEY ARE STRONGLY CONVINCED THAT THE SETTLEMENT OF THESE ARREARS IS OF THE GREATEST IMPORTANCE FOR BRAZIL INTERNATIONAL CREDITWORTHINESS AND THEY URGE YOU TO DO YOUR UTMOST TO CLEAR THEM AS SOON AS POSSIBLE.

PLEASE ACCEPT, MR MINISTER, THE ASSURANCES OF MY HIGHEST ESTEEM AND BEST REGARDS. '

FIN DE CITATION

AMICALEMENT,

SIGNE : BERTRAND DE MAZIERES  
F1/AX940XX  
PARIS LE 17/06/94

DU TRESOR SON NUMERO : 94/293/MC

POUR L'ENSEMBLE DES PAYS CREANCIERS

VOUS VOUDREZ BIEN TROUVER CI-JOINT LE TEXTE DU MESSAGE QUE NOUS ADRESSERONS LE 22 JUIN AU MINISTRE DES FINANCES DU COSTA-RICA, SAUF OBJECTION DE VOTRE PART D'ICI LA.

DEBUT DE CITATION

'MR MINISTER,

I AM PLEASSED TO INFORM YOU THAT GIVEN THE PAYMENTS MADE BY YOUR COUNTRY, THE CREDITOR COUNTRIES HAVE DECIDED THAT THE JUNE 22, 1993, AGREEMENT IS NOW IN FORCE.

THE CREDITOR COUNTRIES ALSO ASKED ME TO INFORM YOU THAT MOST OF THEM HAVE REPORTED ARREARS ON CURRENT PAYMENTS. THEY URGE YOU TO DO YOUR UTMOST TO CLEAR ALL THESE ARREARS AS SOON AS POSSIBLE.

PLEASE ACCEPT, MR MINISTER, THE ASSURANCES OF MY HIGHEST ESTEEM. '

FIN DE CITATION

AMICALEMENT

SIGNE : BERTRAND DE MAZIERES  
F1/AX940XX  
PARIS LE 17/06/94

DU TRESOR SON NUMERO : 94/294/MC

POUR L'ENSEMBLE DES PAYS CREANCIERS





COPY

ព្រះរាជាណាចក្រកម្ពុជា

ជាតិ សាសនា ព្រះមហាក្សត្រ

ROYAUME DU CAMBODGE

Nation-Religion-Roi

MINISTRE DE L'ECONOMIE ET DES FINANCES

Phnom Penh, le 13 Juin 1994

Rue 92

Sangkat Wat Phnom

Khan Daun Penh

Phnom-Penh

Tel: (855 23) 27 799

Mobile: (018) 811 095

Fax: (855 23) 27 798

Monsieur Christian NOYER

Président du Club de Paris

Directeur du Trésor

aux bons soins de l'Ambassade de France

au Cambodge.

Monsieur le Président,

Au nom du Gouvernement Royal du Cambodge, j'ai l'honneur de solliciter votre coopération, en votre qualité de Président du Club de Paris, afin de permettre un rééchelonnement de la dette du Cambodge envers les pays membres de l'OCDE.

Certains de ces pays m'ont fait savoir qu'ils pouvaient, selon leurs procédures internes, annuler la dette cambodgienne dans un cadre bilatéral. Mais pour la plupart des autres pays, le seul traitement possible de notre dette repose sur un rééchelonnement dans un cadre multilatéral représenté par le Club de Paris.

Le Cambodge doit prendre en considération un autre élément dans le problème de sa dette: afin de bénéficier de nouveaux crédits à des conditions très avantageuses de la part de certains pays créanciers, le Cambodge préfère que sa dette actuelle vis-à-vis de ces pays soit maintenue et ne sollicite donc pas l'annulation, même partielle, de cette dette dans un cadre multilatéral.

Compte tenu de ce qui précède, le Cambodge sollicite plutôt du Club de Paris un rééchelonnement de sa dette à des conditions moins avantageuses que celles définies par le "Traitement de Londres". En l'occurrence, il sollicite un rééchelonnement sur une période de 20 ans seulement dont 10 ans de période de grâce pour les dettes concessionnelles, et sur une période de 15 ans dont 8 ans de période de grâce pour les dettes non-concessionnelles ("Traitement de Houston").

Dans les conditions définies ci-dessus, je vous serais très reconnaissant de bien vouloir étudier les mesures nécessaires pour permettre l'examen par le Club de Paris du dossier cambodgien dans les meilleurs délais.

Par ailleurs, concernant les dettes du Cambodge envers les Etats-Unis, nous examinons la possibilité de négocier directement avec ce pays afin de trouver une solution bilatérale, c'est-à-dire en dehors des mécanismes du Club de Paris.

Avec mes plus vifs remerciements, je vous prie de croire, Monsieur le Président, à l'assurance de ma haute considération.



Ministère de l'Economie et des Finances

**THE CHAIRMAN OF THE PARIS CLUB**

HL94192.AM

DRAFT

Paris,

Mr Governor,

Paris Club Creditor Countries have noted with a very deep concern that the first review of the Extended Fund Facility approved by the Executive Board of the International Monetary Fund on September 20, 1993 has not yet been concluded.

Paris Club Creditor Countries are not in a position at this time to ~~apply the final debt reduction and~~ *take a decision on the final* ~~reorganization stage of the Paris Club Agreed Minute dated May 25, 1991.~~ *debt*

Therefore, as from July 1, 1994, I would like to confirm to you that the payment obligations due by Egypt vis-à-vis Paris Club Creditor Countries will have to be made according to tables C2A1, C2B1, C2C1, C2A2, C2B2, C2C2, C4, 1NCA1, 1NCB1, 2NCA1, 2NCB1, 3NCA1, 3NCB1, 1NC2A2, 1NC2B2, 2/3NC2B2 and 4NC, i.e. on the basis of the implementation of the second stage of the Paris Club Agreed Minute dated May 25, 1991. *W. ducloux*

Paris Club Creditor Countries are prepared to discuss again this question as soon as the Executive Board of the International Monetary Fund has approved a review or a modification to the existing Extended Fund arrangement or another appropriate arrangement.

Please accept, Mr Governor, the assurance of my highest esteem.

Christian NOYER

Mr Ismail HASSAN  
Governor  
of the Central Bank of Egypt

Rue Kasr El Nil  
Le Caire



REPUBLIQUE FRANCAISE  
MINISTERE DE L'ECONOMIE ET DES FINANCES  
DIRECTION DU TRESOR

M. Christian NOYER  
Directeur du Trésor  
139, rue de Bercy  
75772 PARIS Cédex 12  
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Téléfax : 33.1 40.04.29.40  
TELEDOC 230

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AUX REPRESENTANTS DU CLUB DE PARIS  
TO THE REPRESENTATIVES OF THE PARIS CLUB

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NOMBRE DE PAGES (Y COMPRIS LA PAGE DE GARDE) : 4

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Paris, June 23, 1994

**OBJET : EGYPT : implementation of the debt reduction agreement.**

You will find hereafter :

- a note from the Secretariat concerning the issue of the implementation of our debt agreement with Egypt in view of the discussions we will have next week ;
- an advanced draft letter which would be sent to Egypt after the next Tour d'Horizon.



Christian NOYER

## EGYPT

**Implementation of the third stage of the reorganization of the Egyptian debt****1/ Current Situation**

The Paris Club Agreed Minute dated May 25, 1991 includes three stages of debt reduction and reorganization :

(i) The first stage, representing 15% of the net present value, has been granted up front in 1991.

(ii) The second stage, also representing 15%, could be triggered provided that :

*- «the Executive Board of the International Monetary Fund has by December 31, 1992 either approved an appropriate multiyear arrangement substituting for the current stand-by arrangement with the Arab Republic of Egypt and completed the last review of the arrangement scheduled to take place before that date, or completed the second review of the current stand-by arrangement with the Arab Republic of Egypt and approved an appropriate successor arrangement ;*

*- and the Participating Creditor Countries determine that the Government of the Arab Republic of Egypt has complied with the conditions set out in the present Agreed Minute.»*

After having extended the deadline for the extension of the second stage, Creditor Countries have decided to grant it on November 5, 1993 given the approval by the Executive Board of the International Monetary Fund on September 20, 1993 of an Extended Fund Facility.

(iii) The third and last stage (Final Debt Reduction and Reorganization) representing 20% will apply provided that :

*- «the second stage of the Immediate Debt Reduction and Reorganization has been implemented ;*

*- either (a) the appropriate arrangement which provided the basis for the second stage referred to in paragraph c/ above extends beyond June 30, 1994 and that the Executive Board of the International Monetary Fund has completed by that date the last review of the arrangement scheduled to take place before that date or (b) the Executive Board of the International Monetary Fund has approved by that date a further appropriate arrangement ;*

*- and the Participating Creditor Countries determine that the Government of the Arab Republic of Egypt has complied with the conditions set out in the present Agreed Minute.»*

As you may have been informed by your Executive Director at the IMF, it is most likely that the first review of the Extended Fund Facility scheduled to take place before february 1994 will not be concluded by July 1, 1994 (a second review was envisaged for July 1994).

## 2/ Proposed action

(i) The Paris Club Creditor Countries is not in a position to apply the third stage involving a total reduction of 50% as of July 1, 1994.

(ii) As long as the third stage is not implemented, the debt reduction will remain at the level of 30% of the net present value, and repayment of the remaining debt will be made as described in the tables attached to the Agreed Minute dated May 25, 1991 and corresponding to the second stage (C2A1, C2B1, C2C1, C2A2, C2B2, C2C2, 1NCA1, 1NCB1, 2NCA1, 2NCB1, 3NCA1, 3NCB1, 1NC2A2, 1NC2B2, 2/3NC2B2). Egypt will be informed of this situation before July 1, 1994.

(iii) When the Executive board of the IMF will have approved the review of the EFF, the Paris Club Creditor Countries will decide whether this review is sufficient or not to trigger the final debt reduction stage:

- If no, the debt reduction will remain at the level of 30% and the repayments will continue to be made according to this reduction.

- If the Paris Club Creditor Countries agree to grant the last stage, it will **then** be decided the course of action. Several options are available. We may consider, at that time, that we will come back to a situation as if Egypt would have benefitted from the third stage as at July 1, 1994 (retroactivity of the third stage) or implement the third stage without any retroactivity i.e. implementing the additional 20% as of the date of the decision.

Creditor Countries do not need to take a decision on this last point by July 1, 1994. In any case, it is preferable to be silent on these options vis a vis the Egyptian authorities.

# **THE CHAIRMAN OF THE PARIS CLUB**

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Paris,

Mr Minister,

Paris Club Creditor Countries have noted with a very deep concern that the first review of the Extended Fund Facility approved by the Executive Board of the International Monetary Fund on September 20, 1993 has not yet been concluded.

Creditor Countries are not in a position to apply the final debt reduction and reorganization stage of the Paris Club Agreed Minute dated May 25, 1991 by July 1, 1994.

Therefore, as from July 1, 1994, I can confirm to you that the payment obligations due by Egypt vis-à-vis Paris Club Creditor Countries will have to be made according to tables C2A1, C2B1, C2C1, C2A2, C2B2, C2C2, INCA1, INCB1, 2NCA1, 2NCB1, 3NCA1, 3NCB1, 1NC2A2, 1NC2B2 and 2/3NC2B2, i.e. on the basis of the implementation of the second stage of the Paris Club Agreed Minute dated May 25, 1991.

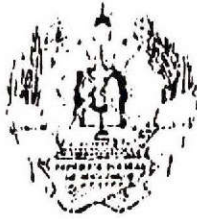
Paris Club Creditor Countries are prepared to discuss again the question of the payment obligations due to them as soon as the Executive Board of the International Monetary Fund will have completed the first review scheduled under the Extended Fund Facility.

Please accept, Mr Minister, the assurance of my highest esteem.

Christian NOYER

EGYPT





REPÚBLICA DE MOZAMBIQUE

## MINISTÉRIO DAS FINANÇAS


GABINETE DO MINISTRO

Nº 831 /GM/MF/94  
Maputo, 28/06/94

To  
Mr. Christian Noyer  
Chairman  
Paris Club

Dear Mr. Noyer,

*On June 15, 1994 the International Monetary Fund approved an additional loan under the enhanced structural adjustment facility (ESAF) for Mozambique to support the Government's fourth annual economic reform program. The delays in finalizing the program were related to our ongoing efforts to ensure that adequate measures were in place to prevent a resurgence of the monetary control problems faced in the last part of 1993. The Government is now confident that the measures set forth in the approved program are adequate to achieve Mozambique's macroeconomic objectives.*




*On this basis, Mozambique would like to request:*

- (I) that the terms of the 1993 Agreement apply through 1994 (as envisaged under paragraph IV, 4, of the March 1993 Agreed Minute); and*
- (II) that the Agreement be extended to cover the first six months of 1995 (through end - June 1995) in the line with the period covered by the annual arrangement recently approved by Fund Board.*

*We hope that we can count on the continued support of the Paris Club.*

*Yours Sincerely,*



*Eneas da Conceição Comiche  
Minister of Finance  
Ministry of Finance*



*Adriano Afonso Maleiane  
Governor  
Bank of Mozambique*



REPUBLICA DEL ECUADOR  
MINISTERIO DE FINANZAS

Quito, 9 DE JUNIO DE 1994

Mr.  
Christian Noyer  
PRESIDENT OF THE PARIS CLUB  
Ministere d'Economie des Finances et du Budget  
139 Rue de Bercy  
75012  
Paris, France

Dear Mr. Noyer:

- 1.- Since the last meeting with the Paris Club members, held on January 20, 1992, Ecuador has achieved substantial progress on structural adjustment and stabilization. The severe fiscal and external crisis foreseen in mid-1992 was successfully confronted while the country undertook at a steady pace the introduction of the reforms required to strengthen its free-market economy.
- 2.- The Economic Program applied during 1992-93 led a substantial reduction of imbalances which have secularly affected the Ecuadorian economy: the annual inflation was reduced from 60% in December 1992 to 31% in December 1993; the country's external position improved, largely exceeding the expected targets; real GDP (GROSS DOMESTIC PRODUCT) grew approximately by 2% in 1993, despite unavoidable recessive factors associated with the anti-inflationary policy.
- 3.- A disciplined fiscal policy has been the key to the elimination of inflationary expectations. The consolidated public sector's deficit (which includes the Central Bank's quasi-fiscal losses) that was approximately 2.5% of GDP in 1992, was reduced to 0.4% of GDP in 1993.

This improvement occurred in spite of a loss of public revenue of about 2.5% of GDP as a consequence of the fall in international oil prices greater than US\$ 2 per barrel in 1993.

- 4.- On the other hand, policies aimed at inserting the Ecuadorian economy in the international market have been adopted. The external liberalization process has been practically completed, thereby eliminating all the non-tariff barriers to trade and strongly reducing import tariffs, so as to satisfy the requirements of a competitive economy. Ecuador now maintains a unified exchange rate to which all agents have free access and at which convertibility is allowed.

A handwritten signature, possibly 'A', written in dark ink at the bottom of the page.





REPÚBLICA DEL ECUADOR  
MINISTERIO DE FINANZAS

These policies aimed at opening the Ecuadorian economy are expected to ease Ecuador's accession to GATT scheduled for the coming months.

- 5.- Despite the efforts described above, the Ecuadorian external sector remains vulnerable as a result of the heavy burden imposed by the external debt, low international oil prices and commercial barriers imposed against one of Ecuador's main exports. Thus, current account deficit grew from approximately 0.9% of GDP in 1992 to 3.4% in 1993.

Nevertheless, capital inflows financed the current account deficit and caused an increase of the country's foreign exchange reserves, to a level sufficient to cover four months of imports of goods and services.

- 6.- In addition to the measures of stabilization adopted by the Government, important structural, institutional and legal policies have been considered to provide a long-term solution to the country's economic imbalances, stimulate productivity and improve the quality of investments.

Among the structural reforms adopted by the Ecuadorian Government, the State Modernization Act is of special relevance, as an attempt to adapt the public sector to the challenges posed by the new global economic framework.

This Act, effective since the end of 1993, sets forth general principles and guidelines to bring about the rationalization, administrative adequacy, decentralization and simplification of the public sector. Also, the Act allows the private sector to render public services through the purchase of the public utility companies, the demonopolization of the services and the delegation or assignment to the private sector of services and other economic activities formerly reserved to the State.

- 7.- Similarly, and equally important, Congress passed the Law to Reform the Internal Tax System, which unifies the tax system by expanding the universe of tax-payers and by incorporating the informal sector of the economy. Congress also approved certain amendments to the Hydrocarbons Act, which allow the private sector to participate in investments and deregulate domestic fuel prices.



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In addition, the reform of the financial sector began with the adoption of the Stock Market Law at the end of May 1993, which promotes an organized, integrated, efficient and transparent stock market, in which trading of securities will be competitive, orderly, fair and uninterrupted. To complement this reform, the Law on Financial Institutions was passed in May 1994 to promote greater efficiency and competition in the financial sector and to develop the necessary infrastructure to make resources available for medium and long-term investments.

As you may appreciate, the scope of the reforms actually implemented is much more ambitious than the one described in our communication addressed to the Paris Club on September 25, 1991.

- 8.- The Government's Economic Plan sets out two main targets for 1994. First, to maintain orderly fiscal, exchange rate and monetary policies in order to guarantee a stable and reliable environment to the economic agents; second, to advance in the structural and institutional change, leading the Ecuadorian productive system to a new and more efficient long-term framework.
- 9.- Growth of GDP in excess of 3% is expected for 1994 while inflation should be down to a 20% yearly rate by the end of this year. On the assumption that the success of any economic program depends mainly upon the development of expectations and upon the economic policy's credibility, a strong fiscal discipline will be maintained, targeting a public sector deficit below 0.5% of GDP, despite the discouraging outlook as to international oil prices.  
  
1994 is expected to mark the initiation of a permanent economic reactivation, with average mid-term growth rates of 5%.
- 10.- The reactivation of private investment and the growth of the Ecuadorian economy are directly dependent upon progress being made with respect to the reform of the public sector, including the privatization of state enterprises and services. The Government will continue to make progress in its program during 1994-95, to redefine its sphere of influence and reorient public expenditure toward sectors that are not properly taken care of by the operation of the market and in respect of which the public sector has certain comparative advantages. Consequently, the private sector is expected to increase its participation in the activities traditionally managed by

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the State, particularly in the telecommunications, hydrocarbons and electricity sectors.

- 11.- The programs of macroeconomic adjustment and structural reform are necessary but not sufficient to ensure self-sustained development. It is important that such programs receive the support of the international community, in order to reduce the adverse effects that the excessive level of debt has had and continues to have on investment and growth. Therefore, the path toward a sustainable economic reactivation in the mid-term requires a definitive solution to the external debt problem.

It is unquestionable that the viability of the fiscal and external sectors in the future critically depends upon a financially reasonable agreement with the country's foreign commercial bank creditors which is expected to be accomplished next month. The terms of this agreement will require Ecuador to resume the payment of its commercial external debt, which was interrupted several years ago. Without the effective support of all of the country's creditors, the balance of payments could deteriorate, and it would be socially and politically difficult to maintain a fiscal balance. Therefore, it is important for Ecuador to obtain the support of the Paris Club, to minimize risks during the implementation of the program in the mid-term.

- 12.- The Ecuadorian Government has requested the International Monetary Fund a Stand-by Agreement for a two year period ending March 1996. Accordingly, the Ecuadorian Government addressed a Letter of Intent to the International Monetary Fund on March 31, 1994.

The policies and measures described in such letter are the appropriate to consolidate a gradual reduction of the rate of inflation, fiscal discipline, economic growth and the recovery of the country's credibility. The Agreement was approved by the IMF's Board on May 11, 1994.

- 13.- The facts that I have described above allow us to look to the future of the national economy with optimism and confidence. For this reason, I believe that the country is now in an optimal position to consolidate its relationships with the International Community.





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- 14.- During the five previous opportunities in which Ecuador has called upon the Paris Club, its proposals were favorably received, thereby evidencing the sensibility of the country's official creditors with respect to the serious problems that arose from its excessive level of external indebtedness.
- 15.- Under the present circumstances, and considering the country's recent economic achievements, I believe it is appropriate to present this specific request to you, Mr. President, and through you, to the Paris Club members, asking the consolidation of Ecuador's debt with its official creditors under conditions defined below, which should permit Ecuador to continue with its Economic Plan and to achieve sustainable growth for a period extending beyond the year 2000.
- 16.- The Ecuadorian request involves the following obligations:
- a. Loans from Governments or appropriate Institutions of the Participating Creditor Countries, having an original maturity of more than one year, and which were extended to the Government of the Republic of Ecuador or the Ecuadorian public sector, or carrying the payment guarantee of the Government of the Republic of Ecuador, in accordance with one or more contracts or other financial arrangements concluded prior to January 1, 1983.
  - b. Commercial credits guaranteed or insured by the Governments of the Participating Creditor Countries or their appropriate institutions, having an original maturity of more than one year, and which were extended to the Government of the Republic of Ecuador or the Ecuadorian public sector, or carrying the payment guarantee of the Government of the Republic of Ecuador, in accordance with one or more contracts or other financial arrangements concluded prior to January 1, 1983.
  - c. Repayments of principal and interest due as a result of the consolidation agreements concluded in accordance with the Agreed Minutes dated April 24, 1985; January 20, 1988; October 24, 1989 and January 20, 1992.



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We further request that the debt relief be applied in the following manner:

I) CONSOLIDATION PERIOD:

From July 1, 1994 through January 31, 1996.

II) CONSOLIDATION PERCENTAGE:

We propose to reschedule and refinance 100% of the principal and interest amounts falling due during the Consolidation Period, with respect to loans, commercial credits and previous consolidation agreements referred to in paragraphs a), b) and c) above.

III) TERM OF THE AGREEMENT:

With respect to the commercial debts, the rescheduled maturities shall be restructured pursuant to a 15-year term, including an 8-year grace period; and a 20-year term, including a 10-year grace period, with respect to maturities falling due under Official Development Aid loans.

IV) INTEREST RATES:

Following the Paris Club's practice, the commercial debt under this proposal shall bear market priced interest rates. Interest rates applicable to Official Development Aid loans involved in this refinancing shall be at least equal to those interest rates established under the original contracts.

V) TREATMENT OF OVERDUE AMOUNTS:

We request that all overdue principal and interest amounts accrued prior to and on June 30, 1994, under the credit agreements referred to in paragraphs a), b) and c) above, be consolidated in the same terms as the debt falling due during the consolidation period, as defined above.



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VI) DEBT CONVERSION:

We also request the Paris Club to insert in the Minute to be negotiated, a clause enabling the Government of the Republic of Ecuador, subject to agreement with each Participant Creditor Country, to establish an external debt conversion program. The external debt conversion transactions shall be carried out on the basis of the balance due of the Consolidated Debt.

Hoping that our request shall have the favorable support of all the members of the Paris Club, we kindly request you, Mr. President, to confirm the date on which this proposal shall be discussed.

Sincerely,

A handwritten signature in cursive script, appearing to read "César Robalino Gonzaga".

César Robalino Gonzaga  
MINISTER OF FINANCE AND PUBLIC CREDIT





REPUBLICA DEL ECUADOR  
MINISTERIO DE FINANZAS

DISCURSO DEL SEÑOR MINISTRO DE FINANZAS Y CREDITO PUBLICO DE LA  
REPÚBLICA DEL ECUADOR ANTE LOS REPRESENTANTES  
DE LOS GOBIERNOS QUE PARTICIPAN EN EL CLUB DE PARIS.

Señor Presidente, señores representantes de los países acreedores:

A nombre del Gobierno de la República del Ecuador, deseo en primer lugar presentar a usted y a los señores representantes de los países acreedores que participan en el Club de París, mis agradecimientos por la gentileza de recibir a la delegación ecuatoriana el día de hoy.

En mi calidad de Ministro de Finanzas y Crédito Público, me voy a permitir participarles durante esta sesión, los objetivos y los logros alcanzados por mi Gobierno en el proceso de estabilización macroeconómica iniciado en agosto de 1992, así como, el avance de las reformas económicas y estructurales que se están llevando a cabo en mi país. Igualmente quiero informarles sobre los aspectos básicos del acuerdo al que llegamos con el Comité de Gestión que representa a los acreedores privados internacionales y por último, el enorme esfuerzo que estamos desarrollando para reorientar el papel del Estado, reducir el tamaño del mismo, desinvertir, privatizar empresas públicas y permitir que los empresarios privados nacionales e extranjeros administren servicios públicos mediante el sistema de concesiones.



En forma paralela al programa de estabilización macroeconómica, el Gobierno ecuatoriano, adoptó una posición clara y definida para insertar su economía a los mercados internacionales. En esta dirección, hemos eliminado casi todos los controles de precios, se ha reducido drásticamente las restricciones y los impuestos a las importaciones y esperamos para fines de 1994 que el país sea miembro del GATT. El proceso de liberalización sigue en marcha. Se ha abandonado la política proteccionista y de controles a las actividades privadas y se ha fomentado el funcionamiento de los mecanismos de mercado en la asignación de recursos.

Prácticamente hemos culminado el proceso de liberalización externa y se han dado pasos muy importantes para normalizar las relaciones financieras con el exterior. Nuestro acuerdo con el FMI y el apoyo del Banco Mundial y del BID confirman lo anterior.

La viabilidad del sector externo se verá mejorada por el reciente acuerdo obtenido con la banca comercial acreedora, cuyos términos y condiciones permiten que el país reinicie el servicio de esta deuda, y al propio tiempo, recupere su credibilidad en los mercados financieros externos y atraiga al inversionista foráneo.



El 2 de mayo de 1994, el Gobierno de la República del Ecuador y el Comité de Gestión de la banca acreedora alcanzaron un acuerdo de reestructuración de la deuda externa bancaria, que involucró un monto de principal e intereses vencidos por alrededor de USD 7.580 millones. Este acuerdo le permite al país restituir su imagen crediticia y facilita su re inserción en los mercados financieros internacionales.

Los aspectos sobresalientes del acuerdo incluyen:

- \* Reducción del capital adeudado en 45 % a través de un bono de descuento el cual devengará una tasa de interés LIBOR más 13/16 amortizable al cabo de 30 años.
  
- \* Un bono a la par al mismo plazo que el anterior instrumento, que devengará una tasa de interés fija y significativamente inferior a las tasas de mercado. Esta tasa se incrementará del 3 % en el primer año hasta ubicarse en 5 % a partir del año once.

Estos bonos serán garantizados mediante Bonos Cupón Cero del Tesoro Americano. Los intereses por doce meses de capital también serán garantizados.





\* Reestructuración del saldo de intereses acumulados a través de la emisión de bonos denominados "Past Due Interest" (PDI) a 20 años plazo, con un período de gracia de 10 años, que incluye una opción para aliviar el flujo de pagos mediante el refinanciamiento parcial de los intereses y un bono "Interest Equalization" a 10 años con tasas de interés de mercado.

Este saldo de intereses, por efecto de un recálculo acordado con el Comité de Gestión, permitió una reducción de aproximadamente el 20 % del saldo de los intereses acumulados.

El apoyo de los gobiernos amigos miembros del Club de París, con el que en ocasiones anteriores ha contado el país, será esta vez crucial para consolidar la solvencia financiera externa del Ecuador.

Sin el respaldo de los países amigos aquí presentes, los esfuerzos realizados hasta hoy se debilitarán en la consecución del objetivo de iniciar la reactivación de nuestra economía la que por más de una década ha evolucionado a tasas insatisfactorias con respecto al crecimiento poblacional, creando situaciones de enormes tensiones políticas y sociales en nuestra sociedad, ya que el ingreso por habitante es hoy menor que en el año 1982.



El manejo de la política económica se ha orientado fundamentalmente, a obtener la reducción de la inflación y recuperar el poder adquisitivo de los salarios. Estos objetivos se han conseguido con éxito. Después de cinco años de afrontar tasas anuales de inflación del orden del 50 % y de registrar en el año 92 el 60 % de inflación, se logró reducir el ritmo de crecimiento de los precios al 31 % anual a finales de 1993 y a menos del 27 % anual al mes de mayo del presente año.

Para fines del presente año, el objetivo inflacionario es alcanzar niveles del 20 % anual y es decisión política del Gobierno, realizar todos los esfuerzos para que en julio de 1996, el Ecuador ingrese al grupo de países con inflación de un dígito; esto es menos del 10 % anual.

La férrea disciplina fiscal, ha sido el pilar más importante en el que se apoyó la política anti-inflacionaria del Gobierno ecuatoriano. El déficit del sector público no financiero se situó en apenas 0.4 % del PIB en 1993, luego de que se registraran valores muy superiores durante los dos años precedentes.

Si no se hubieran tomado medidas para iniciar la estabilización económica a finales de 1992, este déficit habría sido superior al 7 % del PIB.



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El saneamiento de las finanzas públicas ha permitido aumentar la confianza del sector privado en el programa económico y en consecuencia garantizar su participación y apoyo para consolidar el proceso de estabilización y reactivar la economía en el futuro.

La política fiscal implementada también ha permitido mantener la estabilidad cambiaria en el Ecuador. Esta situación, añadió certidumbre a las decisiones de los agentes económicos que en el pasado, habían estado sujetos a enfrentar variaciones cambiarias bruscas e imprevistas que, afectaban su programación presupuestaria y creaban persistentemente la necesidad de ajustar los precios. Hoy los agentes económicos, adoptan con mayor certeza sus decisiones de inversión, pues pueden predecir los movimientos en el tipo de cambio.

La estabilidad cambiaria y el consiguiente arbitraje de las tasas de interés en favor de las tasas domésticas, ha facilitado un importante ingreso de capitales externos de corto plazo, que en buena parte corresponden a aquellos que habían salido del país en años anteriores. Este ingreso de recursos, ha contribuido a fortalecer el nivel de reservas externas que hoy equivalen a cuatro meses de importaciones de bienes y servicios, aproximadamente. Esta situación contrasta con aquella registrada en 1992 cuando el nivel de reservas internacionales financiaba apenas, cuatro semanas de importaciones de bienes y servicios.





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El ~~retorno~~ de capitales al país permitió, de otro lado, el incremento del ahorro en moneda nacional. La disponibilidad de fondos prestables, proveniente de una recuperación de la demanda monetaria y no de la creación inorgánica de dinero por parte del Banco Central, permitió que el crédito del sistema financiero al sector privado, crezca muy por encima de la inflación, esto es al 76% anual a fines de 1993.

La política monetaria del Banco Central del Ecuador también ha tenido el objetivo de contribuir a la estabilización económica. El Banco Central participa intensamente en operaciones de mercado abierto mediante la colocación de bonos a través del mecanismo de subastas semanales. Al tiempo de controlar y regular la cantidad de dinero en circulación, este mecanismo permite determinar la tasa de interés marcadora para el sistema financiero (tasa básica del Banco Central) que tiene la finalidad de guiar el comportamiento de las tasas activas y pasivas vigentes en el mercado, cuya determinación responde, en esencia, a las fuerzas de la oferta y la demanda.

Adicionalmente, el Banco Central participa día a día en el mercado monetario a través de su mesa de dinero, con el objeto de neutralizar fluctuaciones temporales en la liquidez del sistema, que afecten la estabilidad de las tasas de interés de corto plazo.



La utilización de varios instrumentos de política monetaria, así como la política fiscal restrictiva enfocada a obtener un escenario de equilibrio total, son factores que, en conjunto, han determinado que los niveles de liquidez del sistema se ajusten a los previstos y que las tasas de interés activas se reduzcan a niveles compatibles con la desaceleración de la inflación.

A fin de incentivar el ahorro y la inversión a largo plazo, se introdujo la unidad de valor constante (UVC). Este instrumento elimina el riesgo para el ahorrista frente a movimientos no anticipados en la inflación y de este modo, amplía el horizonte temporal de planificación. El financiamiento en UVC, que se orienta fundamentalmente a las inversiones productivas y a la vivienda, facilita que los requerimientos de pago por parte de los usuarios del crédito, se adecuen de mejor manera a sus disponibilidades de ingreso.

Conforme señalé anteriormente, el control de la inflación continúa siendo el objetivo principal del Gobierno que apunta a reducirla al 20 % en 1994 y al 12 % para diciembre de 1995 para lo cual se mantendrá la disciplina fiscal, orientada a que el déficit del sector público no financiero no supere el 0.5 % del PIB en 1994 y alcanzar un pequeño superávit para el próximo año.



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~~Se espera que~~ para este año, la actividad económica experimente un crecimiento real del 3 %. Esto marcará el inicio de una reactivación económica orientada a lograr una expansión del orden del 5 % para 1995. Con estos objetivos, el gobierno ha diseñado el programa macroeconómico para 1994, con ciertas orientaciones para 1995, que cuenta con el respaldo del Fondo Monetario Internacional.

La convicción de que el programa macroeconómico en marcha, requería de varias reformas para su sustentación en el mediano y largo plazo, así como para que los diversos sectores económicos desarrollen sus actividades productivas en un ambiente de confianza, seguridad y estabilidad, hizo imprescindible introducir profundas modificaciones de carácter estructural en la economía ecuatoriana. Por ello en el Ecuador se han aprobado una serie de leyes que me permito mencionar a continuación:

La Ley de Modernización del Estado, Privatizaciones y Prestación de Servicios Públicos, vigente desde el 31 de diciembre de 1993, establece los principios y normas generales para alcanzar la racionalización, eficiencia administrativa, descentralización y simplificación de trámites. Este marco legal permite al sector privado, intervenir en la prestación de servicios públicos así como en otras actividades económicas, mediante la venta de empresas públicas, la desmonopolización en la prestación de servicios, y la delegación o concesión de servicios y actividades anteriormente reservadas al Estado.





Con la aplicación de este marco institucional, se incrementarán los niveles de eficiencia y productividad de las funciones estatales, así como se promoverá y fortalecerá la participación del sector privado en las áreas que tradicionalmente han estado a cargo del Estado.

En 1993, la Corporación Financiera Nacional inició la desinversión total en algunas empresas, como plantas de cemento, fertilizantes, acciones de bolsa y otras industrias de los sectores metalmecánico, manufacturero y agroindustrial en las cuales tiene participación accionaria. También el Banco Nacional de Fomento se encuentra en el proceso de venta de su participación en algunas empresas, incluyendo la Flota Mercante Grancolombiana. En el futuro se prevé además la venta de acciones de algunas empresas localizadas especialmente en el sector de servicios, habiéndose avanzado en el estudio para la concesión de los servicios portuarios y aduaneros.

El programa de modernización, que implica una transformación del sector público ecuatoriano, permitirá igualmente avanzar en los próximos años en la privatización de empresas estatales, ya sea mediante, la transferencia de actividades al sector privado; el cierre o fusión de empresas gubernamentales y/o la reducción del número de empleados públicos que trabajan para el Gobierno.



La Ley de Presupuestos, concebida como parte del proceso de modernización del Estado, establece normas generales que rigen la programación, formulación, ejecución, control, evaluación y liquidación de los presupuestos de las entidades y empresas que conforman el sector público no financiero. Este instrumento legal, fortalece la relación existente entre la planificación macroeconómica, la inversión pública y la formulación del presupuesto del Estado, superando los obstáculos que restringen la decisión y acción presupuestaria.

La segunda fase de la reforma contempla nuevos elementos para la planificación y ejecución del presupuesto del Estado, mediante la programación mensual de los ingresos y gastos. De esta manera, los gastos que deban efectuar los diferentes organismos del Estado, se canalizarán a través de la red bancaria local la cual realizará los desembolsos previstos, en base al cupo asignado a cada una de ellas.

Este procedimiento, además de garantizar que los egresos guarden relación con los ingresos, contribuirá a simplificar los trámites operativos y hacer más eficiente el control y seguimiento del Presupuesto del Estado.

La Ley Reformatoria a la Ley de Régimen Tributario Interno homogeniza el tratamiento tributario, a través de la ampliación de la base de contribuyentes y la incorporación de agentes



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economicos del sector informal. En la misma línea de acción y a efectos de controlar la evasión tributaria, la nueva ley establece un anticipo al impuesto a la renta correspondiente al 1% de los activos totales de las empresas e introduce drásticas sanciones para los contribuyentes que evadan los pagos y pretendan defraudar al Estado. Finalmente, la ley uniforma el pago del impuesto a la renta al establecer una tasa única del 25 por ciento a las utilidades de empresas nacionales y extranjeras.

Con el fin de adecuar el sistema aduanero del país a los requerimientos de modernización del comercio internacional, el Ecuador expidió el pasado mes de marzo una nueva ley Orgánica de Aduanas, que estipula una significativa reducción de costos y simplificación de trámites aduaneros, así como la privatización de ciertos servicios.

En el campo financiero se han introducido dos importantes reformas estructurales sustentadas en la aprobación de dos nuevas leyes: la Ley de Mercado de Valores y la Ley General de Instituciones del Sistema Financiero.

El propósito de la Ley de Mercado de Valores, expedida en mayo de 1993, es promover un mercado de valores organizado, integrado y transparente. Crea además el esquema jurídico e institucional para el desarrollo ordenado, competitivo y eficiente de los mercados de capitales, buscando promover e incrementar el ahorro interno y externo y establecer una base más amplia de





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financiamiento a mediano y largo plazos que beneficie a los sectores productivos.

La ley, además, promueve reglas de juego claras y no discriminatorias, propicia un control prudente y oportuno de intermediarios y transacciones en el mercado de capitales y protege a los inversionistas nacionales y extranjeros a través de información clara y veraz.

La Ley de Instituciones del Sistema Financiero se orienta a promover mayor eficiencia y competencia en el sistema financiero ecuatoriano, a proveer mejores servicios, a reducir costos para los usuarios del crédito vía una mayor competitividad así como, a fortalecer, con la vigencia de la Ley del Mercado de Valores, todos los mecanismos para crear y desarrollar un sistema de intermediación financiera que capte y movilice ahorros de mediano y largo plazo para el financiamiento de la inversión productiva.

Este cuerpo legal otorga mayor libertad de acción a las entidades financieras, con el fin de permitir el desarrollo de la banca múltiple. Tiene como objetivo, además, reforzar los esquemas de supervisión y regulación bancaria, a fin de adaptarlos a estándares internacionalmente aceptados y precautelar la estabilidad del sistema financiero.

En lo que dice relación a las actividades petroleras en el Ecuador, en noviembre de 1993, el Congreso de mi país reformó la



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Ley de Hidrocarburos. El objetivo básico de la nueva ley es atraer más inversión directa al Ecuador, tanto para la exploración como explotación petrolera, así como, para la refinación y distribución de derivados del petróleo.

Con esta nueva ley intentamos desregular los precios de los derivados, así como atraer la participación privada en un sector que era de monopolio exclusivo del Estado. La ampliación del oleoducto transecuatoriano, la explotación y producción de algunos campos petroleros considerados marginales y el mejoramiento de la capacidad de procesamiento y almacenamiento de derivados pasarán a manos privadas.

La expedición de esta ley facilitó la convocatoria a la Séptima Ronda de Licitación Petrolera el 24 de enero de 1994. Mediante esta licitación se busca la participación de compañías nacionales y extranjeras interesadas en la firma de contratos para la exploración y explotación de hidrocarburos.

La Séptima Ronda permitirá desde finales de 1994 el desarrollo de líneas sísmicas y la perforación de pozos exploratorios con una inversión aproximada de USD 150 millones. Una mayor participación de la inversión extranjera en el sector petrolero, hará posible que las reservas de crudo se incrementen en los años venideros.



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En materia de inversión extranjera, el Ecuador dispone de un régimen de tratamiento al capital externo extraordinariamente liberal. Se ha sustituido un esquema basado en la protección y el control por otro encaminado a la promoción, sin restricciones ni limitaciones, de la inversión extranjera directa. Tampoco existen disposiciones del Gobierno que obstaculicen la entrada de capitales financieros y la remisión de utilidades.

La agenda de reformas económicas y estructurales que el Gobierno planea concretar en el futuro incluye las siguientes acciones:

- \* A través de un programa global, con el respaldo del BID complementar la reforma del sistema financiero, que además de la aprobación de las leyes financieras mencionadas anteriormente, contempla las acciones que se detallan a continuación:
  - Fortalecimiento institucional de la banca pública para mejorar el acceso al crédito para la vivienda y el financiamiento de actividades en los sectores rurales, a través de la creación de unidades de segundo piso.
  - Desarrollo del marco legal que permita incrementar la provisión y canalización de ahorros de largo plazo en base a una nueva Ley de Seguros.





- Reforma al sistema de seguridad social con la participación del sector privado, mejoras al funcionamiento del Instituto Ecuatoriano de Seguridad Social (IESS) y diseño de una nueva política de inversiones de este Instituto.
  
- Mejoramiento del diseño y ejecución de la política monetaria, mediante la aprobación de la nueva Ley de Régimen Monetario. Este cuerpo legal garantizará, además, el libre acceso de los agentes al mercado de divisas y consagrará la libertad para determinar las tasas de interés y comisiones en el sistema financiero, a fin de procurar que las decisiones de inversión se desenvuelvan en un marco de estabilidad y certeza.

Para información del Club de París, la nueva ley del Banco Central ha sido enviada por mi Gobierno al Congreso del Ecuador.

- \* Reformas legales en el sector eléctrico tendientes a permitir la participación del sector privado en la generación, transmisión y distribución de energía. Se busca con esta participación, lograr el ingreso de capital privado de riesgo, promover la libre



competencia y la desmonopolización de las actividades del sector.

- \* El programa sectorial para la reestructuración de los servicios de transporte, garantizará la mejora en los servicios al comercio exterior a través de la modernización de la administración y funcionamiento de las Autoridades Portuarias, con el objeto de aumentar la competencia y eficiencia de los principales puertos mediante privatizaciones y concesiones.

Próximamente enviaremos al Congreso del Ecuador, una nueva Ley de Telecomunicaciones. El objetivo que perseguimos es permitir que el sector privado realice inversiones, sea a través del sistema de concesiones o venta de activos y empresas de propiedad del Gobierno Nacional.

Los aspectos que se han expuesto dejan en claro que los esfuerzos que hemos desplegado en el Ecuador en los últimos veinte y dos meses no han sido vanos; al contrario, traducen y reiteran la decisión política y el objetivo del Gobierno del Ecuador continuar adelante con la agenda de liberalización y de reformas que transformen radicalmente la estructura productiva del Ecuador. Las políticas adoptadas crearán las condiciones y las bases para una expansión económica que se autosustente en el mediano y largo plazo, llevando paz y prosperidad a un pueblo que por más de diez años ha soportado políticas de ajuste que han



reducido el bienestar del hombre ecuatoriano.

A pesar de los resultados favorables que brevemente he descrito, el sector externo ecuatoriano sigue siendo vulnerable, como resultado de la pesada carga financiera que impone el servicio

de la deuda externa y la volatilidad y disminución de los precios del petróleo, producto del cual el país sigue siendo altamente dependiente. Un factor adicional que incide en la vulnerabilidad del sector externo, es la imposición de barreras comerciales arancelarias y para-arancelarias y el trato discriminatorio a nuestros principales productos de exportación por parte de los países ricos e industriales del mundo.

Bajo las actuales circunstancias y considerando los logros económicos alcanzados por mi país, creo apropiado presentar a usted, señor Presidente, y a través suyo a los miembros del Club de París el siguiente requerimiento, mediante el cual el país solicita la consolidación de su deuda contratada con los acreedores oficiales, en las condiciones que definiré a continuación. Esta consolidación complementará el refinanciamiento obtenido con la banca del exterior y contribuirá al mejoramiento del sector externo permitiendo al Ecuador, continuar con su programa económico y alcanzar así un crecimiento sostenido por un período que se extienda hasta después del año 2000.





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La solicitud que presento involucra el reescalonomiento del 100 por ciento de las obligaciones que vencen entre el 10. de julio de 1994 y el 31 de enero de 1996 inclusive, así como, las cuotas pendientes al 30 de junio de 1994 derivadas de los acuerdos previamente negociados con el Club de París y aquellas deudas que no han sido consolidadas anteriormente que ocurren durante el período antes indicado.

En lo que respecta a la deuda comercial, la consolidación sería pagada durante 15 años que incluye 8 de gracia y en 20 años con 10 de gracia en lo que tiene relación a la deuda de ayuda para el desarrollo. Se debe indicar que de las obligaciones a consolidar, la deuda comercial representa alrededor del 90% y el 10 % a la deuda de ayuda para el desarrollo.

Esto significa que las obligaciones de corto plazo y aquellas contratadas con posterioridad al 31 de diciembre de 1982, que cuentan con garantía de los Gobiernos acreedores participantes en este mecanismo de consolidación o que estén cubiertas con una garantía de seguro a la exportación de las agencias respectivas, serán canceladas en los términos y condiciones establecidas en cada uno de los instrumentos originales.

De manera similar a lo acordado en la anterior minuta suscrita con el Club de París, solicitamos que también en esta oportunidad se contemple una cláusula por la que el país, de común acuerdo con cada uno de los países acreedores participantes, pueda



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realizar operaciones de conversión de deuda externa, en programas que se acordarán con cada uno de ellos. Esta alternativa permitirá al país reducir el saldo de deuda pendiente así como su servicio y orientar los recursos liberados a programas de alivio a la pobreza y otros que sean de mutuo interés para las partes.

El período de consolidación planteado, esto es, del 10. de julio de 1994 hasta el 31 de enero de 1996, cae dentro del período de vigencia del programa macroeconómico acordado con el Fondo Monetario Internacional (FMI) el 11 de mayo pasado, el cual culminará a finales de marzo de 1996. Se debe destacar que el acuerdo alcanzado con el FMI tiene todas las características de un programa extendido, en virtud de las profundas reformas económicas y estructurales que se contemplan en el mismo y que me permití describirlas anteriormente.

El período de consolidación que propone el país, ha sido definido una vez que se ha analizado la carga financiera que en el corto y mediano plazo representa el servicio de la deuda externa total frente al Producto Interno Bruto (PIB) y frente al volumen de las exportaciones de bienes y servicios.

En efecto, si en 1994, se incluyera el pago total de las obligaciones a los países miembros del Club de París, el servicio de la deuda alcanzaría niveles cercanos al 10 % del PIB y el 43 % de las exportaciones de bienes y servicios no factoriales de



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ese año. De igual manera, para 1995 y 1996, estos coeficientes se ubicarían en alrededor del 9 % y 37 %, respectivamente.

En vista de que este perfil representa una pesada carga financiera, el país requiere el apoyo de los Gobiernos amigos reunidos en este foro, a fin de que con la consolidación planteada, los coeficientes mencionados, se reduzcan a niveles compatibles con el crecimiento esperado de la economía ecuatoriana y con su capacidad de pago en el corto y mediano plazo. Con nuestra propuesta, dichos niveles alcanzarían a aproximadamente 8 % del PIB y 33 % de las exportaciones de bienes y servicios no factoriales en 1994 y 1995. Debemos enfatizar que aún estos índices reflejan la situación de severo y pesado endeudamiento que caracteriza al país.

De otra parte, el apoyo a la consolidación propuesta, permitirá la consecución de una solución a la situación de endeudamiento con los países que participan en este esquema, pues es objetivo del país, honrar puntualmente estas obligaciones y no acudir en nuevas oportunidades ante sus Gobiernos, en busca de otras consolidaciones.

En un documento preparado por el FMI, se prevé que de un stock de deudas elegibles de alrededor de USD 417 millones, se reestructuraría una parte de las obligaciones que ocurren durante 1993 y 1994 por aproximadamente USD 275 millones, lo cual implica pagos durante 1994 del orden del 34 % respecto del total elegible





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y del 0.8 % del PIB.

Para 1995, de acuerdo a dicho documento, por esta consolidación estaría previsto un pago equivalente a 1.4 % del PIB. Estos pagos el Ecuador no los puede hacer. Su capacidad para generar excedentes no es suficiente. Las reformas económicas y estructurales tomarán más tiempo del estimado, para crear un flujo de fondos que permita pagar en dicha forma. Por ello nuestra propuesta.

Por otra parte permítanme anotar que las condiciones financieras del acuerdo recientemente logrado con la banca privada internacional determinan un servicio de deuda para los años 94, 95 y 96 equivalentes al 0.8 por ciento, 1.52 % y 1.53 % del PIB respectivamente sobre un saldo de deuda cinco veces mayor a la mantenida con el Club de París. Esto significa que no se mantendría un tratamiento equitativo y justo entre todas las categorías de acreedores.

Mi Gobierno no cree que sea razonable otro esquema que el que hemos propuesto el día de hoy. Adicionalmente, permítanme señalar que en el programa acordado con el FMI no se contempló la posibilidad de que el acuerdo con el Comité de Gestión de la banca acreedora internacional culmine en este año. Debo declarar en nombre de mi Gobierno que dicho acuerdo se firmará y todo el proceso terminará antes del 31 de diciembre de 1994. La agilidad con la que se obtuvo este acuerdo y la forma como se está



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trabajando, demandará que en lo que resta de 1994, el Ecuador tenga que afrontar compromisos muy importantes especialmente en lo que tiene relación con la compra de los colaterales que permitirán viabilizar el acuerdo con estos acreedores.

Estos desembolsos comprometerán recursos de la reserva monetaria internacional no previstos originalmente para este año por aproximadamente 300 millones de dólares que restan liquidez a las reservas internacionales del país.

Por otra parte el Gobierno del Ecuador pagará durante el presente año USD 135 millones a los acreedores privados internacionales. El FMI preveía un pago menor a dicha cantidad.

La recuperación del nivel de la actividad económica que se requiere en los próximos años, se sustentará en buena parte en la inversión privada, para lo cual es necesario contar con un nivel de reservas internacionales que permita cubrir al menos cuatro meses de importaciones de bienes y servicios.

El apoyo de sus gobiernos para lograr un alivio financiero en los años 1994 y 1995 y enero de 1996 es en consecuencia vital, pues permitirá adaptar de mejor manera el pesado servicio de la deuda externa a las reales posibilidades del país, evitar incurrir en financiamientos inconvenientes, y mantener niveles de reservas internacionales compatibles con la posición fiscal y monetaria prevista en la programación económica.



La flexibilidad y el apoyo de los países amigos frente a nuestro pedido afianzará nuestro objetivo de consolidar la estabilidad económica y por ende la imagen del país ante los mercados internacionales, condición indispensable para atraer la inversión productiva externa.

En resumen señor Presidente:

El Ecuador desea reestructurar el 100 % de las deudas vencidas en capital e intereses más todos los intereses y el principal que vencerán hasta el 31 de enero de 1996. No hemos solicitado, ni estamos solicitando una reducción de la deuda. La propuesta total significa reestructurar USD 690 millones con los miembros del Club de París en las condiciones y términos expresados en esta mañana.

Cualquier otro planteamiento implica al futuro un servicio de deuda muy elevado. El coeficiente de dicho servicio con respecto a las exportaciones y al PIB del Ecuador, si nuestra propuesta no es acogida no será razonable ni sensatamente manejable en el orden financiero en los próximos 20 meses.

Por ello debo reiterar el pedido de mi Gobierno de que se acepte nuestra propuesta y se nos otorgue el apoyo financiero que estamos solicitando. Los acreedores privados internacionales a





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través del Comité de Gestión han hecho su parte y han accedido a una reducción importante de la deuda, en consideración a que el Ecuador es un país sobre-endeudado.

Los Gobiernos representados por ustedes comprenden en mejor forma las restricciones y limitaciones que el sobre-endeudamiento externo de un país tiene sobre su nivel de bienestar y sobre sus posibilidades de expansión y crecimiento económico.

Por otra parte permítanme recordar que antes de fin de año, el Ecuador y el Comité de Gestión firmaremos los documentos legales con respecto al acuerdo de reducción y reestructuración de la deuda de USD 7.580 millones.

Para el presente año se ha previsto pagar USD 135 millones por intereses atrasados y deberemos comprar los colaterales acordados por aproximadamente USD 600 millones.

Estas magnitudes y el uso de recursos financieros internos representan un peso enorme sobre la liquidez, que no estaba prevista anteriormente.

Mi Gobierno viene llevando a cabo profundos cambios en la conducción de la economía y de la política del Ecuador. La estabilización, la liberalización económica, la modernización del Estado, las reformas económicas estructurales y otros aspectos que hemos mencionado hoy, requieren del apoyo financiero del Club de París.

Gracias.

Statement by the IMF Representative at the  
Meeting of the Paris Club for Ecuador  
June 27, 1994

Mr. Chairman, members of the Ecuadoran delegation, distinguished representatives:

Thank you for the opportunity to address you today. In my remarks I will focus on developments and prospects for the Ecuadoran economy and the status of the Fund's relations with Ecuador.

Soon after taking office in August 1992, the Administration of President Duran-Ballen began adopting corrective measures in the areas of fiscal, monetary, and exchange rate policy. In particular, the authorities announced adjustments in public sector prices, devalued the sucre in the official market, abolished controls on lending rates of financial institutions, and took steps to strengthen public sector expenditure control.

Substantial progress was made in reducing the economic imbalances in 1993. In particular, the combined public sector deficit (including the quasi-fiscal operations of the Central Bank) was reduced from close to 4 percent of GDP in 1992 to less than 0.5 percent of GDP in 1993. The tightening of fiscal and credit policies helped reduce the rate of inflation from 60 percent in 1992 to 31 percent in 1993. At the same time, real GDP growth slowed to 1.7 percent from 3.5 percent in 1992. The external current account deficit widened from US\$110 million in 1992 to US\$470 million

(3.3 percent of GDP) in 1993 (petroleum and banana prices dropped substantially) but this was more than offset by a substantial increase in private capital inflows.

In the area of structural reforms, legislation was enacted in 1992-93 to: (i) help strengthen control over public expenditure; (ii) provide for downsizing and improving the efficiency of public sector operations (including privatization, public employment reduction, and deregulation); (iii) amend the Hydrocarbons Law to encourage private participation in the oil industry and introduce flexibility in the domestic pricing of oil derivatives; (iv) modify the tax system and strengthen tax administration; (v) modernize the regulatory framework for capital markets; and (vi) reform the customs office with a view to simplifying procedures and privatizing certain services. The Government also liberalized the regime for foreign direct investment and continued the process of regional economic integration within the Andean Pact.

Under the program for 1994-95, the authorities seek to deepen the adjustment process and strengthen the basis for sustained economic growth with a further reduction of inflation and the maintenance of a satisfactory external payments position. In particular, the aim is to reduce inflation to some 20 percent by end-1994 and well below that by end-1995. Output is assumed to rise by around 3 percent in 1994 and by 4 percent in 1995. As of May 1994, the 12-month rate of inflation had declined to 27 percent which



portends well for meeting the end-year objective, and the balance of payments is performing as envisaged in the program.

Fiscal consolidation is a key element of the authorities' program. The combined public sector deficit is to be limited to 0.5 percent of GDP in 1994, despite the working assumption of a decline in oil export prices for the year. To help secure this objective, public sector tariffs have been adjusted over the past several months, a formula has been established for the adjustment of domestic fuel price in the event of unexpected declines in world oil prices, further steps to improve tax administration are being taken, and the authorities will continue to exercise restraint over government spending, particularly on wages. For 1995, the program calls for a further improvement in the public finances on the basis of policies that will be discussed in detail with the Fund at the time of the first review of the program which is scheduled to be completed by November 1994.

The Central Bank will continue to pursue a restrained credit policy to support the fiscal adjustment effort, and during the program period Ecuador will maintain a free interbank market for private foreign exchange transactions. The planned fiscal restraint is crucial to the maintenance of external competitiveness, and the authorities have indicated that they are prepared to adopt fiscal measures beyond those contemplated in the program as needed to avoid a further real appreciation of the currency--for example, if strong capital inflows of the past year were to continue.

In the structural area, a comprehensive program of reforms has been elaborated with a view to achieving a marked reduction in the role of the state in the economy, including through the privatization of telecommunications and power services. As part of this policy, public employment will be reduced by about 40,000 to about 360,000 persons, and a new customs administration will be in place by end-1994. Moreover, a new Financial Institutions Law has been approved recently which aims at deregulating that sector but at the same time improving banking supervision, and a new Central Bank Law will strengthen the independence of the Central Bank. Also, the Government plans to initiate a comprehensive reform of the social security system.

Ecuador has made important progress toward re-establishing relations with external creditors. In early May 1994, Ecuador and its commercial lenders reached an initial agreement on a debt- and debt-service-reduction operation to address bank claims of US\$4.5 billion and interest arrears of US\$3.1 billion. The up-front costs of the operation--including provision of interest and principal collateral for the par and discount bond options--are estimated to be around US\$675 million. The operation is to be financed from Ecuador's own international reserves and resources provided by the Fund, the World Bank, and the Inter-American Development Bank.

To support the authorities' adjustment program for 1994-95, the Fund approved a 23-month stand-by arrangement on May 11, 1994 in an amount of SDR 130 million. Twenty-five percent of each quarterly purchase is being

set aside for debt-reduction operations. The authorities have expressed their intention to request additional access to Fund resources in line with the Fund's policy on support for debt- and debt-service-reduction operations. The first purchase under the stand-by arrangement became available at the time of the program's approval. Subsequent purchases are contingent on compliance with quantitative quarterly performance criteria and periodic reviews of progress under the program by the Board of the Fund. The program also includes quarterly financing assurance reviews pending completion of the debt- and debt-service-reduction arrangements with commercial lenders.

Assuming full implementation of the debt operation with commercial lenders and a satisfactory rescheduling agreement with Paris Club creditors, the program will be financed and will assist Ecuador in its efforts to restore external viability. Thus, today's meeting represents an important step in the re-establishment of Ecuador's relations with its external creditors and in improving the growth prospects of the economy.

The Fund expects to continue to work closely with the Ecuadoran authorities as they pursue their adjustment and reform efforts. The success of these efforts depends importantly on the support of Ecuador's external creditors, in particular official lenders. In the Fund's view, the measures taken by the authorities to frame the economic program and re-establish relations with external creditors merit the support of Ecuador's request for the rescheduling of its debt to Paris Club members.



Paris Club Meeting, June 27, 1994

Statement by World Bank Representative

Over the past two years, the Government of Ecuador has achieved substantial progress towards stabilization and the resumption of growth. Following worsening fiscal and external imbalances, the Government contained the public sector deficit to ~~2.3 percent of GDP in 1992 and 0.4 percent in 1993~~ -- in the face of a decline in revenues due to falling world oil prices -- and increased ~~it~~ international reserves ~~to US\$1200 million~~. In addition, the Government has made significant strides in laying the legal bases for reforms needed to improve the efficiency of the public sector and increase the role of the private sector.

*At the risk of repeating what has been said already by the ~~US~~ previous speaker.*  
There are several important laws that aim at improving the efficiency of the public sector at large. The **Public Sector Budget Law** incorporates the entire public sector (with the exception of Municipalities and Provincial Governments) in the budget preparation and approval process, providing the basis for better financial and management control. This law also introduces a more agile system of disbursements, requirements for project evaluation, the decentralization of the decision-making process, a restriction on new earmarking programs, and the rationalization of the system of transfers. The **Modernization of the State Law**

provides the legal framework for a reduction of non-essential personnel, decentralization of activities and privatization or the granting of long-term concessions for many public enterprises. The **Tax Reform Law** introduced a preemptive tax on assets, reduced taxes on savings, and granted the Executive new enforcement powers to reduce tax evasion and improve tax collection. The new **Customs Law** will simplify trade procedures and allow the private sector to provide services that until now have impeded smooth international trade processes. ?

New legislation also covers two key sectors for Ecuador's economic development. The reform of the **Hydrocarbons Law** allows for greater *private sector* participation in the exploration, production and marketing of petroleum, and more importantly, liberalizes domestic prices of derivatives by allowing their free trade. The **Capital Markets Law** (*approved in 1993*) and the **Financial Institutions Law** provide a better framework for achieving efficient financial intermediation by allowing the introduction of new financial instruments, promoting the use of equity in capital formation, providing for the creation of full service banking, and standardizing the operating rules for different kinds of financial institutions.

The Government has also reduced the public sector payroll by over 5 percent (*21,000*) of public employment and began to contract with the private sector for the delivery of some services. It embarked on a program of public sector divestiture and deregulation, with the sale of public sector assets and shares

owned in small enterprises and with the elimination of a large number of obsolete regulations. Further privatization is being achieved through divestiture of corporate shares owned by several public financial institutions. Some public entities have been restructured or closed.

Furthermore, foreign trade and investment have been liberalized. Tariffs now range from 5 to 20 percent (with the exception of a 30 percent tariff for automobiles), with an average of 11 percent. During the present administration, Ecuador joined Colombia, Venezuela and Bolivia in a free trade arrangement, and is now negotiating a common external tariff with those countries. The rules for foreign investment, including profit repatriation, have been greatly simplified and foreign investors are now subject to equal tax treatment as domestic investors.

Over the next several months, the Government intends to further reduce inflationary pressures. The principal measures for 1994 include: i) improved domestic pricing of petroleum derivatives; ii) an increase in non-petroleum revenues through greater tax enforcement, an asset tax, and higher tariffs for public sector services; iii) restrictions on the growth of public investment; and iv) reductions in current expenditures, including limits on public wage increases.

Much more will need to be done to consolidate stabilization and rekindle growth. There is still room for reductions in tax evasion. Public sector reforms



recently sanctioned by Congress need to be implemented. These include a simplification of procedures and regulations, improvements in the managerial capacity and the salary scale of public officials, unification and improvements in budget preparation and management, restructuring of agencies and ministries, and reduction of redundant personnel. The process of privatization and public enterprise reforms needs to be deepened and accelerated.

Providing an improved environment for private sector development is central to the Government's growth strategy. Uncertainty over the settlement of Ecuador's debt problem has inhibited private sector investment and economic growth. The recent agreement on an operation to reduce Ecuador's debt and debt service is an important step in Ecuador's adjustment which should help encourage higher investment and growth. It is therefore important to recognize the Government's achievements and support the debt negotiations and rescheduling that are needed to ensure the country's balance of payments viability.

Two risks surround the Government's program. First, political support may ~~well~~ falter in a country where consensus building and continuity have been difficult to achieve. Political and social pressures to reverse some current policies ~~would~~ undermine efforts to contain the public sector deficit and reform the public sector. Second, Ecuador's strong dependence of oil still makes the country vulnerable to international oil price fluctuations that could also undermine fiscal balance.

The World Bank's assistance strategy aims to support the Government in the implementation of its reform program, with four specific areas in mind. First, technical assistance, adjustment, and sector operations will be targeted to the public sector reforms described above. Second, credit and technical assistance will support private sector investment including, hopefully, investment in privatized enterprises. Third, assistance to alleviate poverty will emphasize the improvement of basic services targeted to the poor, including basic education and primary health care and nutrition, with greater decentralization and beneficiary participation in service delivery. Assistance will also address infrastructure requirements of lower income groups and help improve the access to credit of small farmers. Finally, the Bank also expects to support the resolution of Ecuador's external debt situation, both through set-asides from adjustment lending and possibly a stand alone *allocation* operation. The Bank's support is expected to result in disbursements of *about* ~~about~~ \$100 *million* ~~million~~ in 1995, *the increase or rate of Ecu. Ruffal to the best year to* ~~US\$300 million and US\$230 million in 1995 and 1996 respectively.~~ *reduce of rate*

Together with the Government's policy program, debt relief will improve Ecuador's balance of payments prospects, including renewed access to international finance. Fresh commitments will be needed to help finance the likely increase in domestic investment demand. With its cooperation, the international community can help in these efforts to change Ecuador's economic performance for the better.

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INTER-AMERICAN DEVELOPMENT BANK

Special Office in Europe

PARIS CLUB MEETING ON ECUADOR

Statement by Mr. Jean-Michel Houde

Alternate Representative in Europe

Paris, June 27, 1994

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Mr. Chairman, distinguished representatives of the international financial community, Ladies and Gentlemen:

As is customary for the statement of the Inter-American Development Bank before the Paris Club, our presentation dwells briefly on three subjects of particular relevance for this meeting:

1. Bank's Appraisal of Ecuador's Economic Performance and Perspectives

After taking office in August 1992, the new government took immediate action to redress the growing disequilibria in the economy. The prices of goods and services provided by the public sector were radically increased, fiscal discipline restored, and the currency devalued by 35 percent.

Due to the sharp drop in international oil prices, as well as to the impact of the stabilization program, in 1993 the GDP growth rate attained 1.7 percent, only half the pace of the previous year. The overvaluation of the Sucre, resulting from significant capital inflows, further contributed to this slowdown. By the end of 1993, inflation decelerated to 31 percent, down from 60 percent a year earlier.

The consolidated public sector deficit was significantly reduced, from 2.3 percent of GDP in 1992 to 0.3 percent in 1993. This achievement points to the positive effects of the new Budgetary Law, centralizing and rationalizing public sector expenditures under the lead of the Ministry of Finance, and of the Monetary Regime Law, which eliminated the possibility of deficit financing through Central Bank loans. Nevertheless, it should be pointed out that current budgetary expenditures - excluding interest payments - were reduced in 1993 by only 0.1 percent of GDP. This is an indication of budgetary inflexibility and of the fact that the adjustment burden was mostly born by falling public investment.

As for the external situation, the traditional foreign trade surplus was reduced almost by half, to 3.9 percent of GDP. This reduction was affected primarily by the sharp drop in prices of oil and bananas, Ecuador's major export commodities. Furthermore, there was a fall in the volume of exports of bananas and shrimp. As a consequence, the current account deficit increased in 1993 to US\$ 387 million, or 3.0 percent of GDP.

This deficit was more than compensated by large capital inflows. Generated by the differential between domestic and foreign interest rates, and by expectations of exchange rate stability, a total inflow of US\$ 447 million was registered. Foreign exchange reserves rose to over US\$ 1.2 billion by the end of 1993, an equivalent of four months of imports.

Parallel to the important results achieved in stabilization, the GOE has shown determination in introducing a comprehensive package of structural reforms and modernization initiatives. Trade and exchange liberalization, privatization and deregulation - which were unimaginable just a few years ago - are seen as the basis for growth, the generation of new jobs and low inflation. In this respect, one of the main instruments to carry out the structural reforms program is the Modernization Law which Congress passed in December 1993.

Further legislative support to the process of reform is the Hydrocarbons Law, which was approved by Ecuador's Congress in late November 1993, and which incorporates a series of reforms to eliminate the government's monopoly on oil products and allows foreign exploration contracts in certain zones of the

country.

The Government's priorities in the short term are to further reduce inflation, continue to execute its public sector reform program, and to normalize relations with external creditors. The Bank certainly agrees with the Government's conception that the consolidation of the stabilization process and implementation of structural reform policies represent necessary conditions for achieving sustainable economic growth.

A new stand-by program was just recently signed with the International Monetary Fund. It commits the Government to continue carrying out the stabilization program, primarily through a tight control of public expenditures, and restrictive monetary and credit policies. In the beginning of May, an agreement on a comprehensive debt restructuring package was reached with commercial bank creditors.

The rationalization and reduction of the country's external debt is an important condition for assuring the continued credibility of the recently achieved sound fiscal policy. Providing for a more manageable debt service structure will help restore both domestic and external confidence and contribute to the revitalization of the economy.

## 2. Recent Financial Flows from the IDB to Ecuador and Current Projections

The expected trend in the net flow of funds between the IDB and Ecuador in the course of 1994 and the next two years point to a marked upturn. From a negative net flow during 1992 and 1993, it is estimated that during the current year the positive net flow will reach US\$ 29 million, and further increase to US\$ 122 million in 1995. The past and envisaged flow of funds is as follows (a more detailed table is attached):

(millions of US dollars)	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
	(Actual figures)			(Projections)		
Gross Disbursements	135.1	109.5	138.1	201.2	312.3	262.3
Loan Service	115.1	121.5	146.3	172.2	189.8	204.7
Net Flow	20.0	-12.0	-8.2	29.0	122.5	57.6

In the 1994-95 lending pipeline the largest part is earmarked for sector policy loans. These are to include a Financial Sector Loan in the equivalent of US\$ 110 million, an Agricultural Sector Loan amounting to US\$ 90 million, and a Transport Services Sector Loan for US\$ 90 million. Each of these loans is to include a US\$ 10 million technical assistance facility. A separate debt and debt service reduction loan facility is also envisaged, in conjunction with the anticipated financing needs for the recently negotiated "Brady" package. Furthermore, a loan for US\$ 125 million is to be approved in the course of the current year for sanitation in Quito.

## 3. Strategy in Support of Ecuador's Development Efforts

The Bank's current strategy in support of Ecuador's economic and social development is based on the following main objectives:



**Objective I: Raise levels of economic productivity and remove policy and institutional distortions**

The strategy focuses on the financial, agricultural and energy sectors given their predominant role in increasing overall levels of productivity. The creation of a competitive market-driven environment implies improvement of public sector performance in providing an adequate regulatory framework and well-targeted support services. Finally, complementary investment financing is to be directed toward priority areas to increase the impact of related policy and institutional reforms.

In conjunction with the World Bank and other members of the international community, the IDB is to address such structural deficiencies as the lack of financial sector competition, the inadequate prudential supervision of financial institutions, and the still predominant role of the public sector in productive activities. The energy sector will be supported through investment in the context of simultaneous institutional and tariff reforms.

**Objective II. Improve access and quality of primary health care and education for low-income groups**

Improving the situation of over half of the population living in poverty is essential to the long-term development of Ecuador. The IDB lending program emphasizes primary health care delivery and increases in coverage in potable water and sewerage. Improvement of educational policy and government priorities in primary education is also emphasized.

Effective planning and institution-building at the decentralized level will be key to improving primary health care and sanitation for the most vulnerable population groups. The primary action for the social sectors, therefore, includes structural and institutional reforms leading toward increased coverage for primary health attention and education for the lowest income groups.

**Objective III. Improvement of environmental preservation and control**

The absence of an adequate legislative and institutional framework in Ecuador has resulted in degradation of the country's rich natural resource base. The strategy emphasizes the improvement of environmental regulation and protection to mitigate the negative impact of proposed activities. The Bank will also assist the Government in arriving at a coordinated approach to agro-forestry development consistent with the objectives of sustainability, multiple use, the preservation of biological diversity, and the protection of the right of self-determination of indigenous peoples.

\* \* \*

In closing, we wish to reiterate that the IDB is committed to actively support Ecuador in its efforts to restructure and revitalize its economy. We believe that the Paris Club can play a determining role by ensuring debt relief which is essential for the implementation of the current stabilization and reform process and achieving sustained high rates of growth.

Thank you for your attention.



INTER-AMERICAN DEVELOPMENT BANK

E C U A D O R

Net Flow of Funds Between the IDB and Ecuador  
Convertible Currencies  
(in millions of US\$)

Over the last three years, the IDB's net flow of funds with Ecuador was as follows:

Year	Approvals	Disbursement	Amortization (principal)	Interest & Commission	Total	Net flow
1991	102.3	135.1	44.9	70.2	115.1	20.0
1992	193.8	109.5	48.3	75.2	121.5	-12.0
1993	36.7	138.1	67.9	78.4	146.3	- 8.2
TOTALS	332.8	382.7	159.1	223.8	382.9	-0.2

For the 1994-1996 period, projected net flows are the following:

Year	Approvals	Disbursement	Amortization (principal)	Interest & Commission	Total	Net flow
1994	422.6	201.2	85.3	86.9	172.2	29.0
1995	415.0	312.3	93.7	96.1	189.8	122.5
1996	410.0	262.3	96.2	108.5	204.7	57.6
TOTALS	1,247.6	775.8	275.2	291.5	566.7	209.1

Paris, June 1994

PARIS CLUB MEETING ON ECUADOR

27 June 1994

Statement by the UNCTAD representative

Ecuador comes back to the Paris Club with an improved financial and economic situation. Since the last meeting, inflation has declined substantially, international reserves have risen to a comfortable level, and important structural reforms have been implemented. At the same time, the economy has continued to grow despite the weakness of the international oil market.

Nevertheless, the country is still extremely vulnerable to the vagaries of the international economic environment, particularly fluctuations in oil prices. A decline of \$1 a barrel in the price of oil would result in a reduction in Ecuador's export earnings of \$100 million, or about 3 per cent. Despite recent improvements, oil prices are expected to remain weak in real terms over the next few years, mainly because of excess capacity in OPEC countries.

Furthermore, Ecuador's medium-term prospects are adversely affected by the recent shift of the European Union policies toward greater restrictions on banana imports from Latin America. Although the country's non-traditional exports have rapidly increased in recent years, export diversification is a long-term undertaking.

Another source of Ecuador's vulnerability is its increasing reliance on private capital inflows. These are highly volatile. They have been in part stimulated by the interest rate differential between domestic and international capital markets. A reversal of these trends could be detrimental to Ecuador's external position.

The external debt overhang is an additional factor contributing to the structural weakness of the Ecuadorean economy. The stock of external debt has reached about 100 per cent of GDP and 240 per cent of exports. Even assuming the conclusion of a Brady deal with commercial banks and a rescheduling of bilateral debt, the scheduled debt service ratio, at 60 per cent in 1993, would not fall below 35 per cent before 1999.

Although the bulk of Ecuador's debt is owed to commercial banks, Paris Club creditors can play a significant role in a financial situation where the room for manoeuvre is extremely narrow. In granting cash flow relief, they would contribute to easing the foreign exchange constraint, which is indispensable for dampening inflationary pressures.

Official creditors can also signal to commercial banks their full support to the country's reform efforts. Given its heavy debt burden and the level of its per capita income, Ecuador fully deserves to benefit again from the treatment which the Paris Club extends to the severely indebted lower middle-income countries, the so-called Houston terms.



Long repayment and grace periods would result in a more manageable debt profile. But a durable solution to Ecuador's debt crisis cannot be achieved without debt reduction. Bilateral creditors may wish to support it by assisting the country in meeting the huge upfront costs of the Brady deal and by agreeing to official debt conversions.

**AGREED MINUTE  
ON THE CONSOLIDATION OF THE DEBT  
OF THE REPUBLIC OF ECUADOR**

**I- PREAMBLE**

1. The representatives of the Governments of Canada, France, Germany, Israel, Italy, Japan, Norway, Spain, the United Kingdom and the United States of America, hereinafter referred to as "Participating Creditor Countries", met in Paris on June 27, 1994 with representatives of the Government of the Republic of Ecuador in order to examine the request to alleviate the Republic of Ecuador's external debt service obligations. Observers of the Government of Denmark and the Netherlands as well as the International Monetary Fund, the International Bank for Reconstruction and Development, the Interamerican Development Bank, the Secretariat of the U.N.C.T.A.D. and the Organization for Economic Cooperation and Development also attended the meeting.

2. The Delegation of the Republic of Ecuador described the economic and financial difficulties faced by its country and its strong determination to reduce the economic and financial imbalances and to attain the targets of the program supported by the stand-by arrangement with the International Monetary Fund.

3. The representatives of the International Monetary Fund described the Republic of Ecuador's economic situation and the major elements of the adjustment program undertaken by the Government of the Republic of Ecuador and supported by the stand-by arrangement with the International Monetary Fund approved by the Executive Board of the Fund on May 11, 1994. This stand-by arrangement, covering the period ending on March 31, 1996, involves specific commitments in both the economic and financial fields.

4. The representatives of the Governments of the Participating Creditor Countries noted that the Republic of Ecuador is a highly indebted lower middle income country and they also took note of the measures of adjustment in the economic and financial program undertaken by the Government of the Republic of Ecuador; they stressed the importance they attach to the continued and full implementation of this program, in particular, the revitalization of the productive sector of the economy, and the improvement of public finances and foreign exchange management.

**II- RECOMMENDATIONS ON TERMS OF THE REORGANIZATION**

In view of the serious payment difficulties faced by the Republic of Ecuador, the representatives of the Participating Creditor Countries agreed to recommend to their Governments or their appropriate institutions that they provide, through rescheduling or refinancing, debt relief for the Republic of Ecuador on the following terms :

**1. Debts concerned**

The debts to which this reorganization will apply are the following :

a) loans from Governments or appropriate institutions of the Participating Creditor Countries, having an original maturity of more than one year, and which were extended to the Government of the Republic of Ecuador or the Ecuadoran public sector, or covered by the guarantee of payment of the Government of the Republic of Ecuador, pursuant to a contract or other financial arrangement concluded before January 1, 1983 ;

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b) commercial credits guaranteed or insured by the Governments of the Participating Creditor Countries or their appropriate institutions, having an original maturity of more than one year, and which were extended to the Government of the Republic of Ecuador or the Ecuadoran public sector, or covered by the guarantee of payment of the Government of the Republic of Ecuador, pursuant to a contract or other financial arrangement concluded before January 1, 1983 ;

c) repayments of principal and interest due as a result of the consolidation agreements concluded according to the Agreed Minutes dated April 24, 1985, and January 20, 1988 .

For the implementation of the present Agreed Minute, the Ecuadoran public sector shall include those enterprises in which, as of the date of the present Agreed Minute, the Government of the Republic of Ecuador is directly or indirectly a majority shareholder (more than 50 %).

It is understood that debt service due as a result of debts described above in the present Agreed Minute and effected through special payment mechanisms or other external accounts is included in the present reorganization. Participating Creditor Countries will reschedule, refinance, or take other appropriate measures to ensure that this category of debt is treated in a manner comparable to other debt subject to this Agreed Minute.

It is understood that debt service due as a result of the consolidation agreements concluded according to the Agreed Minutes dated October 24, 1989 and January 20, 1992 is not affected by the present reorganization.

## **2. Terms of the consolidation**

The debt relief will apply as follows :

### **A/ As regards Official Development Aid loans mentioned in paragraphs 1 a) and 1 c) above :**

100 % of the amounts of principal and interest (excluding late interest) due as at June 30, 1994 inclusive and not paid and 100 % of the amounts of principal and interest (excluding late interest) due from July 1, 1994 up to December 31, 1994 inclusive and not paid will be rescheduled or refinanced.

Repayment by the Government of the Republic of Ecuador of the corresponding sums will be made in 20 equal and successive semi-annual payments, the first payment to be made on March 31, 2005 (end of the grace period) and the final payment to be made on September 30, 2014 (end of the repayment period).

### **B/ As regards other credits mentioned in paragraphs 1a), 1b) and 1c) above :**

100 % of the amounts of principal and interest (excluding late interest) due as at June 30, 1994 inclusive and not paid and 100 % of the amounts of principal and interest (excluding late interest) due from July 1, 1994 up to December 31, 1994 inclusive and not paid will be rescheduled or refinanced.

Repayment by the Government of the Republic of Ecuador of the corresponding sums will be made in 14 equal and successive semi-annual payments, the first payment to be made on March 31, 2003 (end of the grace period) and the final payment to be made on September 30, 2009 (end of the repayment period).

C/ On a voluntary and bilateral basis, the Government of each creditor country or its appropriate institutions may sell or exchange, in the framework of debt for nature, debt for aid, debt for equity swaps or other local currency debt swaps :

*[Handwritten signatures and initials]*



(i) the amounts of outstanding loans mentioned in paragraph 1 above as regards official development aid loans and direct government loans ;

(ii) the amounts of other outstanding credits mentioned in paragraph 1 above, up to 10 % of the amounts of outstanding credits as of December 31, 1991 or up to an amount of 20 million US dollars, whichever is higher.

D/ Late interest charges are those interest charges accruing between the contractual payment date of principal and interest due and not paid, and a date to be fixed in the bilateral agreements concluded for the implementation of the present Agreed Minute.

### 3. Rate of interest

The rates and the conditions of interest on the financial arrangements covered by this Agreed Minute will be determined bilaterally between the Government of the Republic of Ecuador and the Government or appropriate institutions of each Participating Creditor Country on the basis of the appropriate market rate.

As regards official development aid loans, the rates and the conditions of interest should be at least as favourable as the concessional rates applying to those loans.

### III - GENERAL RECOMMENDATIONS

1. In order to secure comparable treatment of public and private external creditors on their debts, the Government of the Republic of Ecuador commits itself to seek from its external creditors, including banks and suppliers, rescheduling or refinancing arrangements on terms not less favourable than to those set forth in this Agreed Minute for credits of comparable maturity, making sure to avoid inequality between different categories of creditors.





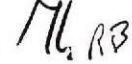



2. The Government of the Republic of Ecuador will seek to secure from each of the creditor countries not participating in this Agreed Minute rescheduling or refinancing arrangements on terms comparable to those set forth in this Agreed Minute. The Government of the Republic of Ecuador agrees not to accord any such creditor country repayment terms more favourable than those accorded to the Participating Creditor Countries.

3. The Government of the Republic of Ecuador agrees that it will promptly negotiate rescheduling or refinancing arrangements with all other creditors on debts of a comparable term.

The Government of the Republic of Ecuador will inform in writing the Chairman of the Paris Club not later than December 31, 1994 of the progress made for this purpose in negotiations with other creditors.

4. The provisions set forth in this Agreed Minute do not apply to creditor countries with principal and interest falling due during the reorganization period on debts specified in Article II paragraph 2, including arrears, of less than SDR 1,000,000. The payments owed to these countries should be made on the original due dates. Payments already due and not paid should be made as soon as possible and, in any case, not later than November 30, 1994.

*[Handwritten signatures and initials]*

5. Each of the Participating Creditor Countries agrees to make available, upon the request of another Participating Creditor Country, a copy of its bilateral agreement with the Government of the Republic of Ecuador which implements this Agreed Minute. The Government of the Republic of Ecuador acknowledges this arrangement.

6. Each of the Participating Creditor Countries agrees to inform the Chairman of the Paris Club of the date of the signature of its bilateral agreement, of the interest rates, of the amounts of debts involved and of any implementation of debt conversions in application of paragraph II 2. C/ above. The Government of the Republic of Ecuador acknowledges this arrangement.

7. The Government of the Republic of Ecuador will inform the Chairman of the Paris Club of the content of its bilateral agreements with creditors mentioned in paragraphs 1., 2. and 3. above.

8. The Government of the Republic of Ecuador undertakes to pay all debt service due and not paid, as at the date of the present Agreed Minute, on consolidations, on loans, on credits or pursuant to contracts or other financial arrangements payable on cash terms, extended or guaranteed by the Governments of the Participating Creditor Countries or their appropriate institutions, and not covered by this Agreed Minute, as follows :

a) 100 % of the amounts of interest (excluding late interest) due as at June 30, 1994 inclusive and not paid on consolidation agreements concluded according to the Agreed Minutes dated October 24, 1989 and January 20, 1992 will be paid as follows :

- (i) 25% not later than November 30, 1994 ;
- (ii) 25% not later than January 31, 1995 ;
- (iii) 25% not later than April 30, 1995 ;
- (iv) 25% not later than July 31, 1995 ;

b) the other amounts will be paid as soon as possible and in any case not later than November 30, 1994.

Late interest will be charged on those amounts.

9. The Government of the Republic of Ecuador will continue to guarantee within an appropriate exchange rate system the immediate and unrestricted transfer of the foreign exchange counterpart of all amounts paid in local currency by the private debtors in the Republic of Ecuador for servicing their foreign debt owed to or guaranteed by the Participating or Observer Creditor Countries or their appropriate institutions.

**IV - IMPLEMENTATION**

The detailed arrangements for the rescheduling or refinancing of the debts will be accomplished by bilateral agreements to be concluded by the Government or the appropriate institutions of each Participating Creditor Country with the Government of the Republic of Ecuador on the basis of the following principles :

1. The Government or the appropriate institutions of each Participating Creditor Country will either :



- refinance debts by placing new funds at the disposal of the Government of the Republic of Ecuador according to existing payment schedules during the reorganization period and for the above mentioned percentage of payment. These funds will be repaid by the Government of the Republic of Ecuador according to schedules mentioned above in paragraph II.2 ;

- or reschedule the corresponding payments.

2. All other matters involving the rescheduling or the refinancing of the debts will be set forth in the bilateral agreements which the Government of the Republic of Ecuador and the Governments or the appropriate institutions of the Participating Creditor Countries will seek to conclude with the least delay and in any case before December 31, 1994.

3. The provisions of the present Agreed Minute will continue to apply provided that the Government of the Republic of Ecuador continues to have an appropriate arrangement with the International Monetary Fund.

For this purpose, the Government of the Republic of Ecuador agrees that the International Monetary Fund inform the Chairman of the Paris Club regarding the status of the Republic of Ecuador's relations with the International Monetary Fund.

4. The representatives of the Governments of each of the Participating Creditor Countries and of the Government of the Republic of Ecuador agreed to recommend to their respective Governments or appropriate institutions that they initiate bilateral negotiations at the earliest opportunity and conduct them on the basis of the principles set forth herein.

Done in Paris, on June 27, 1994,  
in two versions, English and French,  
both texts equally authentic,

The Chairman  
of the Paris Club



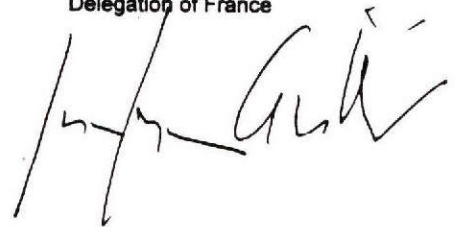
The Head of the Delegation  
of the Republic of Ecuador



Delegation of Canada



Delegation of France



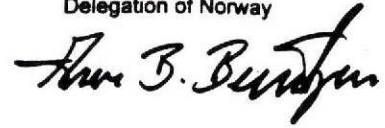
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Delegation of Germany



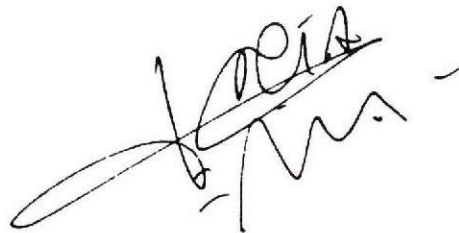
Delegation of Norway



Delegation of Israel



Delegation of Spain



Delegation of Italy



Delegation of the United Kingdom



Delegation of Japan



Delegation of the United States of America



## PRESS RELEASE

Representatives of the Governments of Canada, France, Germany, Israel, Italy, Japan, Norway, Spain, the United Kingdom and the United States of America, referred to as "Participating Creditor Countries", met in Paris on June 27, 1994, with the representatives of the Government of the Republic of Ecuador, in order to examine the request to alleviate that country's external debt service burden.

Observers of the Government of Denmark and the Netherlands as well as the International Monetary Fund, the International Bank for Reconstruction and Development, the Interamerican Development Bank, the Secretariat of the U.N.C.T.A.D. and the Organization for Economic Cooperation and Development also attended the meeting.

Representatives of the Participating Creditor Countries welcomed the efforts at economic recovery undertaken by the Government of the Republic of Ecuador, and in particular the adoption of an economic and financial program supported by the stand-by arrangement with the International Monetary Fund approved by the Executive Board of the Fund on May 11, 1994. They noted that the Republic of Ecuador is a highly indebted lower middle income country and they considered it was important to make a positive contribution to the solution of its external payments difficulties.

It is in this spirit that the representatives of the Participating Creditor Countries agreed to recommend to their respective Governments a major reorganization of the external debt of the Republic of Ecuador resulting from loans and guaranteed credits extended by Participating Creditor Countries to the Republic of Ecuador.

This reorganization applies to payments due on these debts. Repayment will be made by the Government of the Republic of Ecuador over a 20 year period as concerns the official development aid loans and over a 15 year period as concerns other credits. On a voluntary and bilateral basis, each creditor country may also undertake debt for nature, debt for aid, debt for equity swaps or other local currency debt swaps.

The delegation of the Republic of Ecuador was headed by Mr. Cesar ROBALINO GONZAGA, Minister of Finance and Public Credit. The meeting was chaired by Mrs. Ariane OBOLENSKY, Assistant Secretary for International Affairs at the Treasury at the Ministry of Economy.

The delegation of the Republic of Ecuador expressed its thanks to the Participating Creditor Countries of the Paris Club for their efforts in assisting the Republic of Ecuador to achieve a sound economic and financial situation.

**AGREED MINUTE  
ON THE CONSOLIDATION OF THE DEBT  
OF THE HASHEMITE KINGDOM OF JORDAN**

**I- PREAMBLE**

1. The representatives of the Governments of Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Spain, Sweden, Switzerland, the United Kingdom and the United States of America, hereinafter referred to as "Participating Creditor Countries", met in Paris on June 28, 1994 with representatives of the Government of the Hashemite Kingdom of Jordan in order to examine the request to alleviate the Hashemite Kingdom of Jordan's external debt service obligations. Observers of the International Monetary Fund, the International Bank for Reconstruction and Development, the Secretariat of the U.N.C.T.A.D. and the Organization for Economic Cooperation and Development also attended the meeting.

2. The Delegation of the Hashemite Kingdom of Jordan described the economic and financial difficulties faced by its country and the strong determination of the Government of the Hashemite Kingdom of Jordan to reduce the economic and financial imbalances and to attain the targets of the program supported by the extended arrangement with the International Monetary Fund.

3. The representatives of the International Monetary Fund described the Hashemite Kingdom of Jordan's economic situation and the major elements of the adjustment program adopted by the Government of the Hashemite Kingdom of Jordan and supported by the extended arrangement with the International Monetary Fund approved by the Executive Board of the Fund on May 25, 1994. This arrangement, covering the period ending on May 24, 1997, involves specific commitments in both the economic and financial fields.

4. The representatives of the Governments of the Participating Creditor Countries noted that the Hashemite Kingdom of Jordan is a highly indebted lower middle income country and they also took note of the measures of adjustment in the economic and financial program undertaken by the Government of the Hashemite Kingdom of Jordan ; they stressed the importance they attach to the continued and full implementation of this program.

**II- RECOMMENDATIONS ON TERMS OF THE REORGANIZATION**

In view of the payment difficulties faced by the Hashemite Kingdom of Jordan, the representatives of the Participating Creditor Countries agreed to recommend to their Governments or their appropriate institutions that they provide, through rescheduling or refinancing, debt relief for the Hashemite Kingdom of Jordan on the following terms :

**1. Debts concerned**

The debts to which this reorganization will apply are the following :

a) loans from Governments or appropriate institutions of the Participating Creditor Countries, having an original maturity of more than one year, and which were extended to the Government of the Hashemite Kingdom of Jordan or its public sector or covered by the guarantee of the Government of the Hashemite Kingdom of Jordan or its public sector, including payments due under previous bilateral restructuring concluded before July 19, 1989, pursuant to a contract or other financial arrangement concluded before January 1, 1989 ;

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b) commercial credits guaranteed or insured by the Governments of the Participating Creditor Countries or their appropriate institutions, having an original maturity of more than one year, and which were extended to the Government of the Hashemite Kingdom of Jordan or its public sector or covered by the guarantee of the Government of the Hashemite Kingdom of Jordan or its public sector, including payments due under previous bilateral restructuring concluded before July 19, 1989, pursuant to a contract or other financial arrangement concluded before January 1, 1989 ;

c) repayments of principal and interest due as a result of the consolidation agreements concluded according to the Agreed Minute dated July 19, 1989.

For the implementation of the present Agreed Minute, the Jordanian public sector shall include those enterprises in which, as of the date of the Agreed Minute dated July 19, 1989, the Government of the Hashemite Kingdom of Jordan was directly or indirectly a majority shareholder (more than 50%) including representative offices and branches of Jordanian banks abroad.

It is understood that debt service due as a result of the consolidation agreements concluded according to the Agreed Minute dated February 28, 1992 is not affected by the present reorganization.

It is understood that payments due under lease rentals are excluded from the present reorganization.

It is understood that debt service due as a result of debts described above in the present Agreed Minute and effected through special payment mechanisms or other external accounts, is included in the present reorganization. Participating Creditor Countries will reschedule, refinance, or take other appropriate measures to ensure that this category of debt is treated in a manner comparable to other debt subject to this Agreed Minute.

**2. Terms of the consolidation**

The debt relief will apply as follows :

**A/ As regards Official Development Aid loans mentioned in paragraphs 1.a) and 1.c) above :**

100% of the amounts of principal and interest (excluding late interest) due as at June 30, 1994 inclusive and not paid and 100% of the amounts of principal and interest (excluding late interest) due from July 1, 1994 up to May 31, 1997 inclusive and not paid will be rescheduled or refinanced.

Repayment by the Government of the Hashemite Kingdom of Jordan of the corresponding sums will be made in 20 equal and successive semi-annual payments, the first payment to be made on June 30, 2006 (end of the grace period) and the final payment to be made on December 31, 2015 (end of the repayment period).

**B/ As regards other credits mentioned in paragraph 1 above :**

100% of the amounts of principal and interest (excluding late interest) due as at June 30, 1994, inclusive and not paid and 100% of the amounts of principal and interest (excluding late interest) due from July 1, 1994 up to May 31, 1997 inclusive and not paid will be rescheduled or refinanced.

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Repayment by the Government of the Hashemite Kingdom of Jordan of the corresponding sums will be made as follows :

- 0.53% on June 30, 1999 ;	- 0.65% on December 31, 1999 ;
- 0.77% on June 30, 2000 ;	- 0.89% on December 31, 2000 ;
- 1.03% on June 30, 2001 ;	- 1.17% on December 31, 2001 ;
- 1.32% on June 30, 2002 ;	- 1.47% on December 31, 2002 ;
- 1.64% on June 30, 2003 ;	- 1.81% on December 31, 2003 ;
- 1.99% on June 30, 2004 ;	- 2.18% on December 31, 2004 ;
- 2.38% on June 30, 2005 ;	- 2.59% on December 31, 2005 ;
- 2.81% on June 30, 2006 ;	- 3.04% on December 31, 2006 ;
- 3.28% on June 30, 2007 ;	- 3.53% on December 31, 2007 ;
- 3.80% on June 30, 2008 ;	- 4.07% on December 31, 2008 ;
- 4.36% on June 30, 2009 ;	- 4.67% on December 31, 2009 ;
- 4.98% on June 30, 2010 ;	- 5.31% on December 31, 2010 ;
- 5.66% on June 30, 2011 ;	- 6.02% on December 31, 2011 ;
- 6.40% on June 30, 2012 ;	- 6.79% on December 31, 2012 ;
- 7.21% on June 30, 2013 ;	- 7.65% on December 31, 2013.

C/ On a voluntary and bilateral basis, the Government of each creditor country or its appropriate institutions may sell or exchange, in the framework of debt for nature, debt for aid, debt for equity swaps or other local currency debt swaps :

(i) the amounts of outstanding loans mentioned in paragraph 1. above as regards official development aid loans and direct government loans ;

(ii) the amounts of other outstanding credits mentioned in paragraph 1. above, up to 10% of the amounts of outstanding credits as of December 31, 1991 or up to an amount of 20 million US dollars, whichever is higher.

D/ Late interest charges are those interest charges accruing between the contractual payment date of principal and interest due and not paid, and a date to be fixed in the bilateral agreements concluded for the implementation of the present Agreed Minute.

### 3. Rate of interest

The rates and the conditions of interest on the financial arrangements covered by this Agreed Minute will be determined bilaterally between the Government of the Hashemite Kingdom of Jordan and the Government or appropriate institutions of each Participating Creditor Country on the basis of the appropriate market rate.

As regards official development aid loans, the rates and the conditions of interest should be at least as favourable as the concessional rates applying to those loans.

### III - GENERAL RECOMMENDATIONS

1. In order to secure comparable treatment of other public and private creditors on their debts, the Government of the Hashemite Kingdom of Jordan commits itself to seek from its external creditors, including banks and suppliers, rescheduling or refinancing arrangements on terms not less favourable than those set forth in this Agreed Minute for credits of comparable maturity.

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2. The Government of the Hashemite Kingdom of Jordan will seek to secure from each of the creditor countries not participating in this Agreed Minute rescheduling or refinancing arrangements on terms comparable to those set forth in this Agreed Minute. The Government of the Hashemite Kingdom of Jordan agrees not to accord any such creditor country repayment terms more favourable than those accorded to the Participating Creditor Countries.

3. The Government of the Hashemite Kingdom of Jordan agrees that it will promptly negotiate rescheduling or refinancing arrangements with all other creditors on debts of a comparable term.

The Government of the Hashemite Kingdom of Jordan will inform in writing the Chairman of the Paris Club not later than December 31, 1994 of the progress made for this purpose in negotiations with other creditors.

4. The provisions set forth in this Agreed Minute do not apply to creditor countries with principal and interest falling due during the reorganization period on debts specified in Article II paragraph 2, including arrears, of less than SDR 500,000. The payments owed to these countries should be made on the original due dates. Payments already due and not paid should be made as soon as possible and, in any case, not later than December 31, 1994.

5. Each of the Participating Creditor Countries agrees to make available, upon the request of another Participating Creditor Country, a copy of its bilateral agreement with the Government of the Hashemite Kingdom of Jordan which implements this Agreed Minute. The Government of the Hashemite Kingdom of Jordan acknowledges this arrangement.

6. Each of the Participating Creditor Countries agrees to inform the Chairman of the Paris Club of the date of the signature of its bilateral agreement, of the interest rates, of the amounts of debts involved and of any implementation of debt conversions in application of paragraph II 2. C/ above. The Government of the Hashemite Kingdom of Jordan acknowledges this arrangement.

7. The Government of the Hashemite Kingdom of Jordan will inform the Chairman of the Paris Club of the content of its bilateral agreements with creditors mentioned in paragraphs 1., 2. and 3. above.

8. The Government of the Hashemite Kingdom of Jordan undertakes to pay all debt service due as at the date of the present Agreed Minute, on loans, on credits or pursuant to contracts or other financial arrangements payable on cash terms, extended or guaranteed by the Governments of the Participating Creditor Countries or their appropriate institutions, and not covered by this Agreed Minute as follows :

a) 100% of the repayments of interest (excluding late interest) due from July 1, 1994 up to June 30, 1995 and not paid on the consolidation agreements concluded according to the Agreed Minute dated February 28, 1992 will be paid in 10 equal and successive semi-annual payments, the first payment to be made on December 31, 1997 (end of the grace period) and the final payment to be made on June 30, 2002 (end of the repayment period) ;

b) the other amounts due and not paid as at the date of the present Agreed Minute will be paid as soon as possible and in any case, not later than December 31, 1994 ;

c) the other amounts will be paid on due dates.

Late interest will be charged on those amounts.

*[Handwritten signatures and initials]*  
A collection of handwritten signatures and initials in various colors (black, blue, red) is located at the bottom of the page. The signatures are somewhat stylized and difficult to decipher, but appear to be initials or names of the signatories. There are approximately 15-20 distinct marks, including some that look like 'Egg', 'MS', 'KB', and 'HK'.



9. The Government of the Hashemite Kingdom of Jordan undertakes to continue to permit the unrestricted transfer of foreign exchange due by the private debtors in the Hashemite Kingdom of Jordan for servicing their foreign debt owed to or guaranteed by the Participating Creditor Countries or their appropriate institutions and not subject to the present reorganization.

**IV - IMPLEMENTATION**

The detailed arrangements for the rescheduling or refinancing of the debts will be accomplished by bilateral agreements to be concluded by the Government or the appropriate institutions of each Participating Creditor Country with the Government of the Hashemite Kingdom of Jordan on the basis of the following principles :

1. The Government or the appropriate institutions of each Participating Creditor Country will either :

- refinance debts by placing new funds at the disposal of the Government of the Hashemite Kingdom of Jordan according to existing payment schedules during the reorganization period and for the above mentioned percentages of payment. These funds will be repaid by the Government of the Hashemite Kingdom of Jordan according to schedules mentioned above in Article II.2 ;

- or reschedule the corresponding payments.

2. All other matters involving the rescheduling or the refinancing of the debts will be set forth in the bilateral agreements which the Government of the Hashemite Kingdom of Jordan and the Governments or the appropriate institutions of the Participating Creditor Countries will seek to conclude with the least delay and in any case before December 31, 1994.

3. a) The provisions of the present Agreed Minute will continue to apply until June 30, 1995 inclusive provided that the Government of the Hashemite Kingdom of Jordan continues to have an appropriate arrangement with the International Monetary Fund.

b) The provisions of the present Agreed Minute will also continue to apply from July 1, 1995 up to June 30, 1996 provided that the Executive Board of the International Monetary Fund has completed before June 30, 1995, the review for the second year of the extended arrangement with the Government of the Hashemite Kingdom of Jordan and provided that the Hashemite Kingdom of Jordan has made on due date the payments to the Participating Creditor Countries referred to in this Agreed Minute.

c) The provisions of the present Agreed Minute will also continue to apply from July 1, 1996 up to May 31, 1997 provided that the Executive Board of the International Monetary Fund has completed before June 30, 1996, the review for the third year of the extended arrangement with the Government of the Hashemite Kingdom of Jordan and provided that the Government of the Hashemite Kingdom of Jordan has made on due date the payments to the Participating Creditor Countries referred to in the present Agreed Minute.

d) For this purpose, the Government of the Hashemite Kingdom of Jordan agrees that the International Monetary Fund will inform the Chairman of the Paris Club regarding the status of the Hashemite Kingdom of Jordan's relations with the International Monetary Fund.

*[Handwritten signatures and initials]*

4. The representatives of the Governments of each of the Participating Creditor Countries and of the Government of the Hashemite Kingdom of Jordan agreed to recommend to their respective Governments or appropriate institutions that they initiate bilateral negotiations at the earliest opportunity and conduct them on the basis of the principles set forth herein.

Done in Paris, on June 28, 1994,  
in two versions, English and French,  
both texts equally authentic.

The Chairman  
of the Paris Club

The Head of the Delegation  
of the Hashemite Kingdom of Jordan

Delegation of Austria

Delegation of Denmark

Delegation of Belgium

Delegation of Finland

Delegation of Canada

Richard Bastien

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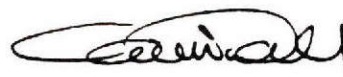
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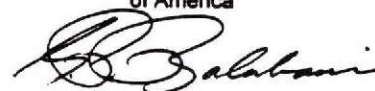
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Delegation of the United States  
of America





## PRESS RELEASE

Representatives of the Governments of Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Spain, Sweden, Switzerland, the United Kingdom and the United States of America, referred to as "Participating Creditor Countries", met in Paris on June 28, 1994, with the representatives of the Government of the Hashemite Kingdom of Jordan, in order to examine the request to alleviate that country's external debt service burden.

Observers of the International Monetary Fund, the International Bank for Reconstruction and Development, the Secretariat of the U.N.C.T.A.D. and the Organization for Economic Cooperation and Development also attended the meeting.

Representatives of the Participating Creditor Countries welcomed the efforts at economic recovery undertaken by the Government of the Hashemite Kingdom of Jordan, and in particular the adoption of an economic and financial program supported by the extended arrangement with the International Monetary Fund approved by the Executive Board of the Fund on May 25, 1994. They noted that the Hashemite Kingdom of Jordan is a highly indebted lower middle income country and they considered it was important to make a positive contribution to the solution of its external payments difficulties.

It is in this spirit that the representatives of the Participating Creditor Countries agreed to recommend to their respective Governments a major reorganization of the external debt of the Hashemite Kingdom of Jordan resulting from loans and guaranteed credits extended by Participating Creditor Countries to the Hashemite Kingdom of Jordan.

On a voluntary and bilateral basis, each Participating Creditor Country may also undertake debt for nature, debt for aid, debt for equity swaps or other local currency debt swaps.

The delegation of the Hashemite Kingdom of Jordan was headed by Mr Sami I. GAMMOH, Minister of Finance. The meeting was chaired by Mr. Bertrand de MAZIERES, Deputy Assistant Secretary for Aid and Debt Affairs at the Treasury at the Ministry of Economy.

The delegation of the Hashemite Kingdom of Jordan expressed its thanks to the Participating Creditor Countries of the Paris Club for their efforts in assisting the Hashemite Kingdom of Jordan to achieve a sound economic and financial situation.

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JORDAN

ECONOMIC PERFORMANCE AND FUTURE CHALLENGES

PRESENTED TO THE PARIS CLUB

BY

THE GOVERNMENT OF THE HASHEMITE

KINGDOM OF JORDAN

AMMAN, JORDAN

JUNE 1994

V. Status Of Negotiations With Other Creditors:

A. Non-Paris Club bilateral official creditors:

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1. Republic of Korea:

- on 4/10/1990 we signed a bilateral Rescheduling Agreement with Samsung Co., LTD in the framework of Paris Club Agreed Minute dated July 19, 1989.
- As regards the second Paris Club Agreed Minute dated February 28, 1992 and its extension, a final draft agreement has been agreed upon by both sides and it will be signed very soon.

2. Taiwan

- We have provided the Commercial Office of the Republic of China (Taiwan) in Amman with a draft agreement for rescheduling in the framework of Paris Club Agreed Minute dated February 28, 1992. They approved the draft and we hope that the agreement will be signed before the end of June, 1994.

3. Arab Funds:

- Abu Dhabi Fund for Development:  
Negotiation is in process.
- Saudi Fund for Development:  
We have requested them to initiate negotiations but we have not received any response yet.



## B. Commercial Banks

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A Debt Restructuring Agreement with the commercial bank creditors was concluded on December 10, 1993. The closing date for the Agreement was December 23, 1993

## VI. Request For Rescheduling / Refinancing From Paris Club

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### A. Debts covered

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23. We request the Paris Club for rescheduling or refinancing the following:

- i) Commercial credits guaranteed or insured by the governments of the participating creditor countries or their appropriate institutions having an original maturity of more than one year, and which were extended to the government of the Hashemite Kingdom of Jordan or its public sector or covered by the guarantee of the government of the Hashemite Kingdom of Jordan or its public sector including payments due under previous bilateral consolidations, pursuant to a contract or other financial arrangements concluded before January 1, 1989 (cutoff date).
- ii) Loans from governments or appropriate institutions of the participating creditor countries, having an original maturity of more than one year, and which were

extended to the government of the Hashemite Kingdom of Jordan or its public sector or covered by the guarantee of the Government of the Hashemite Kingdom of Jordan or its public sector including payments due under previous bilateral consolidations pursuant to an agreement concluded before January 1, 1989. (It is understood that debt service due as a result of debts described above and effected through special payment mechanisms or other external accounts is included in the present reorganization).

**B. Consolidation Period**

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24. We request that the consolidation period be July 1, 1994 up to June 30, 1997 inclusive.

**C. Debt service to be consolidated**

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25. We request that 100% of the amounts of principal as well as interest due from July 1, 1994 up to June 30, 1997 on loans and credits mentioned in section VI (A) above will be rescheduled or refinanced.

**D. Treatment of arrears**

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26. We request that 100% of principal as well as interest in arrears as of June 30 1994 and not paid on loans and credits mentioned in section VI (A) above will be rescheduled or refinanced.

E. Moratorium Interest

27. We request that 100% of the moratorium interest falling due during the period July 1, 1994 up to June 30, 1997 regarding the consolidation agreements concluded within the framework of the Paris Club Agreed Minutes of 1989 and 1992 be subject to rescheduling.

F. Amortization due regarding 1989 Rescheduling Agreement

28. We request that 100% of the principal falling due during the period July 1, 1994 up to June 30, 1997 under the bilateral consolidation agreements concluded within the framework of the Paris Club Agreed Minute of 1989 be subject to rescheduling.

G. Grace period, maturity and interest rates

29. We are currently facing a very difficult resource situation and despite a substantive domestic adjustment effort our balance of payments will remain under pressure due to the debt overhang. Hence we urgently need to improve our debt profile. Towards this end we are appealing to donors and other creditors to help us in our difficult situation by providing assistance on high concessionary terms. Similarly, we appeal to the Paris Club creditors to show understanding and extend rescheduling / refinancing on as favorable terms as possible. We request the amounts of principal, interest, arrears, moratorium interest and amortization (mentioned in VI (C), (D), (E), and (F) above) be rescheduled or refinanced with a maturity of 25



years with a grace period of 16 years measured from the end of the requested consolidation period i.e. June 30, 1997 and very low concessionary interest rates.

H. Debt Relief Including Debt Conversion

30. Jordan is most grateful for the support it has received so far from the Paris Club. As we submit for your kind consideration our present request for debt relief, we hope that the most convincing effort we have been making on the adjustment front, the severity of our debt burden, and the heavy demands of the critical juncture we are currently passing through, all form an adequate basis for granting our request on most generous terms.

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PARIS CLUB MEETING  
JORDAN

STATEMENT OF THE HEAD OF THE  
JORDANIAN DELEGATION  
MR. SAMI GAMMOH  
MINISTER OF FINANCE

JUNE 28, 1994  
PARIS - FRANCE

Mr. Chairman,  
Distinguished Delegates,

I would like to express, on behalf of the Government of Jordan, our deep appreciation for the continuing support of the international community of our adjustment and reform effort. My colleagues and I are grateful to the distinguished representatives of Jordan's creditor governments for the effort they have already made and will be making today in considering our request for debt relief. We are also certainly grateful to the Chairman of the Paris Club and its Secretariat for convening this meeting and for the most efficient manner in which the preparatory work for it has been undertaken.

Mr. Chairman, we are here because we are unable, albeit due to circumstances entirely beyond our control, to fully meet our debt service obligations to our creditor countries. In other words, we are here because we have a problem, which I might add, we view as a most serious one. However, the fact that we are here bears testimony to the recognition by the esteemed governments and institutions represented at this forum that we have been, and will continue to be making a most determined effort to put the Jordanian economy on a path leading to balance of payments viability and sustained economic growth.

That Jordan, with the support of the international community, has been doing its part on the adjustment front is evidenced by the substantial progress achieved under our 1992-93 program. In a number of important areas, including economic



growth, fiscal adjustment, and inflation, performance was better than envisaged at the inception of the program. The underlying balance of payments position also turned out to be stronger than initially envisaged, despite a surge in imports that was associated with the resettlement of Jordanians in the aftermath of the Gulf crisis and a stronger-than-anticipated turnaround in economic activity following several years of decline or virtual stagnation. The progress achieved during the first phase of adjustment and reform in Jordan is largely owed to strong fiscal adjustment and restrained monetary policy, coupled with appropriate exchange rate and debt management policies. Much of the dramatic improvement in the fiscal position over the past few years was also brought about by strong structural measures. The reform in this latter area was recently given a major boost with the parliamentary approval, following a healthy, albeit highly contentious and politically charged, debate of the general sales tax legislation. The tax was introduced on June 1, 1994.

With the above achievements firmly in place, the stage was set for Jordan to move on to the next phase of its adjustment and reform agenda. Toward that end, the Government has recently embarked on a far-reaching medium-term adjustment and reform program that was formulated in collaboration with the staff of the IMF and the World Bank. In support of this program, the IMF approved on May 25, 1994 a three-year arrangement for Jordan under the extended Fund facility. The program builds on the substantial progress achieved under the previous stand-by arrangement, which, while highly impressive, still left us quite some distance away from balance of payments viability.

The key features of the program were described in some detail in my memorandum to the Paris Club. I believe they will also be highlighted today by the IMF staff representative. To avoid repetition, let me just focus on a few issues, which are of particular concern to us, and which I believe are quite relevant to your deliberations today.

The medium-term strategy that underlies our program was formulated and is being implemented, against the backdrop of a high degree of uncertainty regarding prospective developments in the West Bank and Gaza Strip. In view of this uncertainty, the program was designed in a manner that provides for the possibility of technical modifications as may be warranted by regional developments. What the program did not provide for, however, was the possibility of an additional financing need arising from such developments. Unfortunately, that possibility has now become a reality. As many of you undoubtedly know, due to pressures on the Jordan dinar associated with the uncertainty regarding prospective developments in the region, coupled with delays in disbursements of foreign grants and loans, Jordan has so far this year sustained a foreign exchange reserve loss of over US\$ 300 million. Therefore, unless the additional financing need entailed by this reserve loss is effectively addressed, the integrity of our economic program would be undermined.



If what I have just said serves to draw attention to our immediate additional financing needs, I should make it clear that it would be imprudent to assume that the uncertainty associated with prospective developments in the region would dissipate anytime soon, or that additional demands on the Jordanian economy associated with future developments in the region would be small or would not extend beyond the immediate future. Moreover, our recent experience with the reserve drawdown clearly underscores the Jordanian economy's high vulnerability to exogenous developments over which Jordan has little control, and which extend well beyond the developments associated with the ongoing regional peace process. This requires, first and foremost, that we persevere in our adjustment effort. On this score, I would like to assure you that we fully intend to do so, and the track record we have established under extremely difficult circumstances should leave little doubt that we will. This said, it should be clear that the tightness of our current demand management stance leaves us with little room for maneuver on the adjustment front if we are to avoid pushing the economy into a recession. This is always a poor policy choice. But in Jordan's current circumstances of high unemployment and widespread poverty, it would be totally devastating, particularly at the present juncture in the ongoing peace process in the region. I am confident that our friends in the international community will be doing all they can to avoid such an outcome. In this context, one could hardly overemphasize the crucial importance of the role which adequate external financial assistance, including debt relief on very generous terms, will have to play to insure that our adjustment objectives will be safeguarded and that our reserves will be built up and maintained at a comfortable level.



I am sure you already have studied our balance of payments and debt service projections. And having done so, I think you can agree with me that it is Jordan's heavy debt burden that underlies our persistent need for exceptional financing. We have been implementing very strong adjustment measures since mid-1988, although we were and still are under no illusion that Jordan could attain balance of payments viability in the absence of a fundamental solution to its severe external indebtedness problem. The fact that balance of payments viability has so far proved to be an elusive target, in spite of strength and comprehensiveness of our adjustment policies and the welcome support we have received from the international community, is clearly suggestive of an economic imperative for reducing our external debt burden to a sustainable level. That there is a strong case for doing so is also indicated by the fact that despite the economic recovery that began in Jordan in 1992, real per-capita income has declined to less than half of the level of 1982. We have been discussing this matter with our creditors for some time now. We are highly appreciative of the expressions of understanding that have been made regarding the crucial role of reducing Jordan's debt burden to a sustainable level in bolstering confidence in the prospects of the Jordanian economy. Recent developments in our region substantially add to an already strong case for such an alleviation of our debt burden.

Mr. Chairman, Jordan has always been on the forefront of all efforts aimed at achieving a just and durable peace in the Middle East. We are encouraged by the progress that has so far been achieved in the ongoing peace process. For our part, we are fully determined to do all we can to insure that the process comes to a successful conclusion. The benefits which a just and durable peace will bring about, both to the region and the international community at large, need no elaboration. But, insuring that we actually get there is presenting us with challenges and difficulties with immense proportions. What I wish to stress, once again, is that unless our adjustment and reform effort is complemented by adequate and timely external financial support, those difficulties and challenges would seriously threaten not only to overwhelm our adjustment program, but also to erode public support for the peace process altogether.

Mr. Chairman, the details of our present request for debt relief are already before you. So, let me just add that insofar as debt conversion is concerned, we hope that provision will be made to expand the scope of possible conversion operations beyond that provided for under the Agreed Minute of 1992. Specifically, we hope it will be possible to increase the amounts of non-ODA loans that may be exchanged to 20 percent of ourstanding credits. We also hope that conversion operations will actually materialize.

Let me close, Mr. Chairman, by saying that Jordan is most grateful for the support it has so far received from the Paris Club members. We look forward to a most favorable consideration of our present request. Given the composition of Jordan's debt, and the fact that its commercial bank debt has already been restructured on a market-related basis, it is clear that debt relief on very generous terms by the official bilateral creditors is critically needed if our debt overhang is to be fundamentally addressed.

Once again, I hope you will give our request your most favorable consideration. My colleagues and I will be happy to try to answer any questions you may have on the request.



INTERNATIONAL MONETARY FUND

Jordan--Paris Club Meeting, June 28, 1994

Draft Statement by Fund Staff Representative

On May 25, 1994, the Executive Board of the IMF approved the request from the Jordanian authorities for a three-year arrangement under the Extended Fund Facility (in an amount of SDR 127.8 million) in support of their medium-term structural reform and adjustment program.

The medium-term program builds on the substantial progress in macroeconomic stabilization achieved under the stand-by arrangement (SBA) that was completed in February 1994. Performance under the SBA in terms of growth, inflation, fiscal adjustment, and the overall balance of payments exceeded the initial program targets. Sustained fiscal and external sector adjustments, coupled with prudent exchange rate and external debt management, have contributed to a macroeconomic environment conducive to sustained economic growth and price stability. These favorable trends have continued in early 1994; most indicative targets for end-March 1994 were observed. However, reflecting a substantial shortfall in external financing disbursements and uncertainties associated with recent and prospective developments in the West Bank and Gaza Strip, Jordan's official foreign exchange reserves position has weakened significantly. As of end-May 1994, these were at US\$316 million (1.1 months of projected imports for 1994).

A number of structural reforms were also initiated, including in particular the liberalization of the exchange and trade system; reform of the energy sector; and initial steps toward the adoption of indirect monetary control instruments. Moreover, last May, an important measure, namely the General Sales Tax (GST) law, was passed by the Parliament, and

the GST was introduced at the import-manufacturing level effective June 1, 1994. Notwithstanding the substantial progress achieved so far, Jordan's external position remains vulnerable, especially in light of the persisting large external debt overhang and the implications for Jordan of continuing uncertainties in the region.

The Government of Jordan's medium-term economic program is comprehensive and appropriately focused. The strategy is two-pronged and involves: first, further progress in macroeconomic stabilization; and second, continued structural reform in priority areas. Consistent with this strategy, the Government's program aims at attaining balance of payments viability by end-1997, and calls for sustained investment levels to underpin an average real growth rate of 6 percent that would facilitate a steady increase in per capita real consumption and help alleviate unemployment. A substantial reduction in the external current account deficit is programmed over the medium term, consistent with the objective of eliminating the need for exceptional financing by end-1997. This external adjustment is predicated on a strong performance of exports of goods and services and on containing import growth at levels consistent with the targeted real economic growth.

Jordan's program is not without risks to adverse exogenous shocks, including regional developments and swings in private sector sentiment--as evidenced by recent events. Therefore, in approving Jordan's request for the extended arrangement, the Fund's Executive Directors clearly underscored the need for vigilance in macroeconomic management, including continued overall demand restraint, price stability and an appropriate exchange rate management, as well as the need for deepening structural reforms and

accelerating the pace of implementation. Accordingly, the Jordanian authorities would need to pursue vigorously: policies to achieve a further significant reduction in the fiscal deficit through containment of noninterest current outlays; maintaining public sector financial stability by resisting pressures for wage increases; timely implementation of reforms in the direct tax system; reaching, at an early stage, understandings with the World Bank on civil service and agricultural reforms; and extension of the General Sales Tax to the wholesale and retail levels.

The authorities' structural reform program envisages a deepening of the indirect tax reform through synchronization of the GST rates with customs duties and further rationalization of the tariff system, as well as an overall reform of the direct tax system. On the expenditure side, it includes the formulation of a comprehensive civil service reform program and aims at containing unproductive outlays. The authorities also intend to further improve the social safety net program, in order to minimize the hardships associated with the envisaged reduction in public sector employment and other reforms. It should be stressed in this regard that, to date, remarkable progress has already been achieved in this area, notably through better targeting and direct income support programs, while steadily reducing food subsidies.

Continuing structural reform of the financial sector is another important priority area. In particular, the CBJ is proceeding with the implementation of indirect monetary controls through the issuance of JD-denominated CDs--which was initiated in September 1993--and has started to develop an efficient reserve management system. Further progress in this area will assist the CBJ in initiating timely intervention and enhance the



prospects for more flexibility in the domestic interest rate structure. In this regard, the CBJ is expected to move to indirect monetary controls with the JD-denominated CDs as the primary instruments in the near future. The CBJ also intends to improve existing monetary instruments, streamline certain credit facilities and facilitate the development of the interbank market in the short run, as well as to undertake necessary preparatory studies in 1994 with a view to adopting measures to enhance the efficiency of the financial system over the medium term.

The authorities' program places emphasis on maintaining a liberal exchange and trade system, to supplement an exchange rate management aimed at protecting external competitiveness. To improve allocation of resources and sustain export growth, the Government intends to reform further the trade system, through, inter alia, consolidating the import license fee and import surcharges with the tariff structure and reducing the maximum tariff rate. The authorities' stated intention to accept Article VIII status under the Fund's Articles of Agreement as soon as feasible is most welcome.

Consistent with the emphasis on private sector development, the authorities have initiated a review of the laws and regulations governing domestic private sector activity and foreign direct investment. Related steps are to include in particular improvements in the provisions in the Foreign Investment Law and the Encouragement of Investment Law and in the existing administrative controls that currently limit the number of new company listings on the Amman Financial Market and the number of new issues to the public. Early action in these areas will clearly signal the Jordanian authorities' resolve to help create the most favorable environment for private sector activities.

Finally, real sector reforms are being formulated for the agriculture and water sectors, while reforms in the energy and telecommunications sectors are continuing, in the context of World Bank sectoral lending. Reforms in these areas are expected to help improve the financial position of several major public sector enterprises. Here, again, it will be important to reach early understandings with the World Bank and other interested parties, both to ensure early implementation of the needed reforms and timely external financing disbursements.

Jordan has made significant progress in reducing its external debt and debt service burden and normalizing payments relations with external creditors. Debt and debt service reduction operations, debt buybacks at a significant discount, not resorting to commercial borrowing, and debt relief from official bilateral creditors have contributed to this outcome. Notwithstanding such progress and continued sound macroeconomic adjustment and intensification of structural measures in various key areas, large external financing gaps will persist through 1997. Given the recent sharp drop in their level, there appears to be virtually no scope for use of official foreign exchange reserves to reduce the financing gaps, if sustained real growth and adequate foreign exchange reserve levels are to be maintained over the medium term.

Annual external financing requirements during 1994-97 are currently projected to decline gradually from US\$1.3 billion in 1994 to less than US\$1 billion by 1997. Taking into account disbursements of foreign loans and grants from the existing pipeline and the prospective disbursements from the Fund and the World Bank (and associated cofinancing), the exceptional financing gaps are estimated at US\$714 million for 1994, US\$614 million for

1995, US\$453 million for 1996, and US\$260 million for 1997. These gaps are large. As stressed in the statement of the Government of Jordan for today's meeting, generous external debt relief from all official bilateral creditors, in addition to timely availability of external assistance-- increasingly in the form of project financing and on appropriate terms--will be crucial to support domestic policy implementation. This is particularly important for two reasons: first, the weak foreign exchange reserves position of the Central Bank of Jordan as a result of recent pressures on the Jordan dinar and continued vulnerability arising from unsettled regional developments; and second, the new pledges from the donors obtained during the last Consultative Group meeting were lower than the implicit program assumption.

Jordan's progress under its recent adjustment program and the Government of Jordan's continued resolve to pursue adjustment policies and broad-based structural reforms over the next few years deserve the continued generous support of the international community. The Fund staff supports Jordan's need for rescheduling its external debt obligations to official bilateral creditors.



JORDAN

Paris Club - June 28, 1994

Statement by World Bank Representative

From our perspective, the Government of Jordan has maintained a creditable and successful stabilization program, and has intensified its efforts to implement a number of key structural reforms measures.

As a result, Jordan's economic growth prospects are better now than at the time of the last Paris Club meeting. The medium-term stabilization and adjustment program supported by the Bank envisages inflation remaining below 5 percent p.a. and GDP growth rising from 5.5 percent in 1994 to 6.5 percent later in the decade by which time we would expect, <sup>with</sup> ~~while~~ the current account deficit ~~would be~~ reduced to about 4 percent of GDP, exceptional financing requirements to have been phased out. To achieve that projected GDP growth requires an investment level of 29 percent of GDP in 1994, gradually declining to 25 percent in 1998. The implicit improvement in investment efficiency reflects anticipated gains from policy reforms as well as the current underutilization of capacity. In the meanwhile, it is expected that the policy reforms and stabilization efforts should enable Jordan to benefit from the regional Peace, and from the construction boom <sup>which we hope will</sup> ~~expected to~~ take place in the West Bank and Gaza Strip. With the implementation of the medium term structural reform program, growth and employment expansion are expected to take place increasingly in the manufacturing, <sup>S</sup> service (finance, transportation, health and tourism services), <sup>↑</sup> and construction industries. <sup>+ in</sup> Agricultural sector reform remains important, but needs major shift toward the production of more high value added and less water-intensive products.

The Government of Jordan is well aware that to achieve its growth and development objectives, a number of structural issues remain to be addressed including: (i) a closer integration of the domestic economy with world markets; (ii) rationalization of the external debt overhang and uncertain private capital inflows that threaten the growth prospects and erode Jordan's ability to attract productive private sector investment; and (iii) an overly extended public sector that needs to be made more efficient and effective, and to be reoriented to allow a greater private sector participation in the economy. The Government has adopted three sets of adjustment policies to tackle these issues: <sup>first</sup> tax reforms, reductions of fiscal deficit through improving expenditure performance, and <sup>the action of</sup> ~~restoring~~ the financial viability of public enterprises; <sup>second</sup> financial and trade sector reforms; and implementing structural reform policies in the water, agricultural, energy, urban and transportation sectors. These policies have been embodied in the recently adopted Government Economic and Social Development Plan (1993-1997), and concretized in our programs.

In response to these Government policies, the Bank has formulated an assistance program aiming at:

--in collaboration with the IMF, continuing to assist the Government to implement the trade, finance, public enterprise and regulatory reforms;

--assisting the Government to relieve critical infrastructure and public sector management constraints to growth; and

--ensuring that human resource and environmental sustainability requirements are met, including, in particular, reduced population growth and adequate renewable water supply.

The Bank's assistance strategy would be carried out by a number of lending operations including balance of payments ~~to~~ support operations. An Agricultural Sector Adjustment Loan would focus on water and land management, trade liberalization, and institutional reforms. A Finance and Trade Sector Adjustment Loan would strengthen and deepen reforms in these areas, the objectives of which were agreed with the Government. The Private Sector Development Loan would focus on deregulation, reduction of Government ownership and control, and market competition to stimulate private sector investments.

In addition, <sup>to these adjustment operations</sup> the Bank would provide a number of investment operations to tackle key infrastructure bottlenecks and to protect natural resources and the environment. The Bank is supporting the Government's sector adjustment program in energy under the Energy Sector Adjustment Loan, and would support further power supply and private sector involvement in the sector through financing of the Aqaba Thermal Power Stage II Plant. Plans to improve telecommunication and informatics are well underway in context of the Telecommunications Project recently approved by the Bank Board. The road transport sector's problems of overloading and quality maintenance are being addressed through the Third Transport Project. The Bank is also exploring the possibility of financing urban infrastructure development and housing upgrading for the poor.

Achievement of the growth target requires adequate financing, in addition to the more efficient use of resources to be achieved through <sup>policy</sup> reforms. During 1994-1996, Jordan's current account deficit (excluding grants) would average about 14 percent of GDP. This deficit, along with scheduled amortization, clearance of arrears <sup>the maintenance of</sup> and reserve <sup>levels</sup> build-up, will mean financing requirements that are very large. Private capital inflows, and disbursements of already-committed loans and grants, would meet about one half of the financing requirements. Pledges made at the recent Consultative Group meeting (May 19, 1994), would contribute sustainably to reduce the remaining gap. But debt service relief will be needed in addition.



In summary, we can affirm our full endorsement of Jordan's highly successful adjustment efforts and <sup>its need</sup> ~~of Jordan's request~~ for favorable debt relief.

PARIS CLUB MEETING ON JORDAN

28 June 1994

Statement by the UNCTAD representative

In assessing Jordan's request for debt rescheduling, Paris Club creditors will undoubtedly take into account the severity and nature of the country's current debt servicing difficulties and its medium-term prospects.

Jordan's debt problem has two aspects: the liquidity constraint and the solvency crisis. The best indicator of the liquidity constraint, or cash-flow problem, is the scheduled debt service ratio. This ratio is expected to decline from 25 per cent in 1994 to 19 per cent in 1997. Over that period, however, it is likely to average well above the critical level of 20 per cent, which has proven to be unsustainable over the longer term.

The liquidity constraint is exacerbated by the high degree of uncertainty regarding workers' remittances and capital flows in the context of the Middle East peace process. Although in the medium term this development is likely to be highly beneficial to the Jordanian economy, in the past 6 months it has caused an international reserve loss of \$ 300 million. Only a small portion of this loss is expected to be offset in the second half of the year.

On the fiscal front, the liquidity constraint arising from the debt problem is equally important. In 1994, scheduled debt service is equivalent to as much as 40 per cent of Government revenue. Debt relief would make room for a much needed increase in social expenditure.

Let us now turn to the longer term aspect of the debt problem. Jordan's solvency crisis arises from its debt overhang, which can be measured with the help of the debt-to-GDP ratio. The country has recently made significant progress in reducing commercial bank debt and non-Paris Club bilateral debt. Nevertheless, Jordan's debt-to GDP ratio, at 130 per cent, is still among the highest within the group of severely indebted middle-income countries, almost three times the average for that group, and more than twice the critical threshold of 50 per cent. This indicator is not expected to fall below 100 per cent before 1998. Furthermore, the ratio declines only slightly when it is calculated in present value terms, because of the low degree of concessionality of Jordan's debt.

A debt overhang is generally a source of uncertainty deterring both domestic and foreign investors. We may expect that it would act as a stronger disincentive in a situation such as Jordan's which is already fraught with many uncertainties and weakened by negative domestic savings, although the country is experiencing robust economic growth accompanied by low inflation.



The removal of the debt overhang would encourage foreign direct investment, portfolio flows, as well as repatriation of flight capital and of financial assets of Jordanians who had previously worked abroad.

Paris Club creditors can play a significant role in alleviating Jordan's debt burden, since they account for more than half of the debt service obligations falling due during the period 1994-97 and more than two thirds of reschedulable obligations.

Removing the debt overhang requires concessional debt relief measures going beyond the Houston terms, which Jordan obtained in 1992. The scale and terms of the rescheduling should be tailored to Jordan's need to regain external viability and graduate from the Paris Club. We hope that this opportunity will not be missed.

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**MINISTÈRE DES FINANCES  
ET DU BUDGET****CABINET**N° 116 /MFB-CAB**B.P. 2083  
Tél. 83.06.20 - Fax 83.63.73  
BRAZZAVILLE - CONGO****LE MINISTRE****02 JUIN 1994**

Monsieur le Président,

Au nom du Gouvernement de la République du Congo, je vous sou mets la présente requête en vue d'obtenir un réaménagement de la dette publique extérieure de notre pays, que nous souhaitons négocier dans le cadre de la prochaine session du Club de Paris.

Cette démarche intervient à un moment crucial des efforts d'ajustement structurel et de stabilisation macro-économique de notre pays. En effet, confronté à une aggravation des déséquilibres financiers, un taux de croissance négatif et à une érosion persistante de la compétitivité de l'économie congolaise, le Gouvernement a adopté un important programme de réformes. Ce programme a reçu l'appui du Fonds Monétaire International par un accord de confirmation portant sur la période Juin 1994 - Mai 1995. Le Conseil d'Administration du FMI a approuvé ce programme et le financement afférent le 27 Mai 1994, pour un montant total équivalent DTS 23 Millions, soit 40 % de la quote-part du Congo. Notre Gouvernement a l'intention de demander, à une date future appropriée, la transformation de cet accord en facilité élargie triennale. Un élément important qui a facilité cette approbation a été la perspective d'un règlement prochain des arriérés du Congo envers les institutions multilatérales.

Un vaste programme de redressement économique accompagne la décision de modification de la parité du franc CFA décidée le 12 Janvier dernier. Il ouvre le champ d'une nouvelle stratégie d'ajustement global visant à développer et stimuler le secteur privé et diversifier la production nationale. L'effet immédiat de la dévaluation est cependant d'alourdir considérablement le poids de la dette extérieure, d'où la nécessité d'un soutien exceptionnel de la communauté financière internationale et, en premier lieu, des créanciers du Club de Paris par un allègement des charges d'endettement pour les rendre supportables par l'économie nationale.

Avant de préciser le contenu de notre requête, il me paraît utile d'indiquer les raisons qui incitent la République du Congo à solliciter de nouveau l'allègement de sa dette extérieure dans le contexte du plan d'ajustement de l'économie et des finances de notre pays.



## LES ETAPES SUCCESSIVES DE L'AJUSTEMENT STRUCTUREL

Faisant face à des déséquilibres intérieurs, et extérieurs, le Congo a adopté des mesures d'ajustement économique et structurel à partir de 1986 avec l'appui du FMI et de la Banque Mondiale. Les réformes appliquées pendant la période 1986-1989 ont visé la compression des dépenses publiques, l'abolition de nombreux monopoles et la suppression des restrictions quantitatives aux importations. En outre, l'Etat a entrepris une réforme de l'économie nationale à travers la privatisation des entreprises publiques et la liquidation de celles d'entre elles jugées non performantes.

Ces efforts d'ajustement ont conduit les autorités à adopter un nouveau programme soutenu par un accord de confirmation avec le FMI en Août 1990.

Toutefois, la transition vers le multipartisme et les tensions sociales qui ont accompagné le processus de réforme politique ont interrompu l'application de nombre de ces mesures. Depuis l'accord de rééchelonnement avec le Club de Paris en Septembre 1990, le Congo a accumulé des arriérés extérieurs envers des créanciers et l'encours de la dette s'est accru pour atteindre l'équivalent de 181 % du PIB en 1992 alors même que le pays se trouvait coupé des sources de financement officiel et privé.

## EVOLUTION ECONOMIQUE RECENTE 1990 - 1993

La République du Congo se trouve confrontée à une crise économique et financière sans précédent. Au niveau intérieur, la situation budgétaire s'est détériorée sous l'effet d'une augmentation considérable en 1990 des effectifs de la Fonction Publique et de la masse salariale, des subventions aux entreprises du secteur public, et de la détérioration des termes de l'échange.

En conséquence, l'Etat a cumulé des arriérés envers les salariés, les fournisseurs, le système bancaire local, et les créanciers officiels et privés.

Dans ce climat de crise financière, la récession économique s'est étendue dans tout le secteur non pétrolier y compris l'industrie, le commerce, les transports, les communications et les autres services. L'Etat ne peut faire face aux dépenses d'investissements publics tels que l'entretien des infrastructures. Les dépenses de fonctionnement pour des postes aussi importants que la santé, l'éducation et l'agriculture ne peuvent être assurées et le potentiel de développement économique du pays en est gravement affecté. Ainsi, en 1991, le recul du secteur productif hors pétrole a été de plus de 60 %. La contraction s'est poursuivie en 1992-1993 pour atteindre un taux annuel moyen négatif de 3,3 %. Au niveau des finances extérieures, le service de la dette est estimé à 38 % des recettes d'exploitations pour 1993. Les arriérés ont atteint 1,49 milliard de DTS fin 1993 avec comme conséquence la suspension de tous les décaissements en faveur du Congo.

## LA NOUVELLE STRATEGIE DE REDRESSEMENT ECONOMIQUE

Le Congo a opté pour une expression plurielle consacrée par l'adoption d'une nouvelle constitution en Mars 1992. Le nouveau Gouvernement élu démocratiquement a confronté, dès le mois de Septembre 1992 les deux priorités de l'ajustement et de la relance économique durable à travers un programme de réformes structurelles et sectorielles. Plus récemment, l'Assemblée Nationale a approuvé le 17 Janvier 1994, un programme d'Action et de Relance Economique et Sociale (PARESO) qui vise quatre objectifs :



- Le rétablissement de la solvabilité de l'Etat par des mesures d'accroissement des recettes fiscales et douanières et la compression des dépenses publiques ;

- Le résorption des arriérés intérieurs et extérieurs afin de normaliser les relations du Congo avec ses créanciers ;

- Des réformes à court et moyen terme touchant notamment le régime fiscal-douanier, le code des investissements, le système bancaire, le code des hydrocarbures et la restructuration du secteur public ;

- Le renforcement des infrastructures d'appui à la vie économique et sociale telles que l'eau, l'énergie, les communications, la santé et l'éducation.

Ce programme de redressement a reçu l'appui des institutions financières internationales et des bailleurs de fonds bilatéraux. Il a fait l'objet d'un accord de confirmation avec le FMI. La Banque Mondiale et la Banque Africaine de Développement apporteront aussi leurs concours à un train de réformes sectorielles et structurelles. Ce programme doit également permettre une relance basée sur la diversification des recettes d'exportation et un nouveau dynamisme du secteur privé afin de réaliser une croissance annuelle du PIB d'au moins 5 % à partir de 1995 - 1996.

#### LES BESOINS DE FINANCEMENT DU PROGRAMME D'AJUSTEMENT

En dépit du plan de redressement que nous allons mettre en oeuvre résolument, l'inertie des déséquilibres passés se traduit par des besoins considérables de financement exceptionnel pour 1994, bien qu'en diminution sensible au-delà.

Avant le rééchelonnement, ces besoins atteignent Francs CFA 1557 Milliards, soit l'équivalent de 185 % du PIB, avant de tomber à 256 Milliards en 1995 et 212 Milliards en 1996, soit 20 % du PIB.

Le gap de 1994 est surtout imputable à l'accumulation des arriérés au titre du service de la dette qui totalisent environ Francs FCFA 1218 Milliards à fin 1993. En outre, les arriérés intérieurs envers les salariés, les fournisseurs et les caisses de sécurité sociale et de retraite se montent à 259 Milliards de Francs CFA.

#### LE SERVICE DE LA DETTE

Au total, le poids de l'endettement extérieur représente l'équivalent de plus de 400 % du PIB de 1994, ce qui fait du Congo un des pays les plus lourdement endettés. Le service prévisionnel de la dette absorberait près de la moitié des recettes annuelles d'exportation. Les trois quarts environ de la dette extérieure contractée et garantie par l'Etat sont des obligations envers les créanciers officiels et le Club de Paris représente à lui seul 65 % du total.

Le Congo est déterminé à normaliser ses relations dans les plus brefs délais possibles avec la Banque Mondiale et la Banque Africaine de Développement afin d'ouvrir la voie à une reprise des décaissements de soutien financier au programme de réformes.

Comme vous l'aurez constaté, la stratégie de redressement économique et financier que le Gouvernement a entrepris, en relation avec le Fonds Monétaire International et la Banque Mondiale, nécessite un nouveau rééchelonnement de sa dette extérieure dans le cadre du Club de Paris. Le Gouvernement Congolais ne peut assurer la crédibilité du programme envers les agents économiques nationaux et nos partenaires étrangers si le poids de l'endettement continue de grever les perspectives de reprise d'un développement économique durable.

Bien que le Congo apprécie sa récente éligibilité aux crédits concessionnels de l'AID, cette situation reflète la profonde dégradation économique et le recul du revenu national per capita.

A cet effet, le Congo demande aux créanciers du Club de Paris de soutenir les efforts de stabilisation macro-économique et de relance de la croissance par un allègement exceptionnel des charges d'endettement et un traitement similaire des arriérés accumulés à fin Juin 1994. La démarche porte en particulier sur les composantes suivantes du service de la dette :

- les prêts gouvernementaux et prêts garantis par les organismes de crédit à l'exportation signés avant le 1er Janvier 1986, que ces prêts aient été faits à l'Etat Congolais ou garantis par lui ;

- Le service résultant des accords de consolidation passés jusqu'à et y compris l'accord de Septembre 1990 ;

- Les échéances en principal et en intérêts des dettes mentionnées ci-dessus et tombant dans la période de consolidation de 1994 ;

- Les arriérés sur les échéances en principal et en intérêt au 30 Juin 1994, y compris sur la dette "post date butoir", ainsi que les intérêts de retard.

C'est pourquoi, outre la réduction du service de la dette pour la période concernée par ce rééchelonnement à un niveau plus compatible avec ses ressources budgétaires et extérieures, la République du Congo souhaite que les créanciers du Club de Paris examinent la question du stock de la dette dès la fin de l'accord de confirmation et lors de sa transformation en facilité d'ajustement, afin d'en consolider les acquis et de soutenir de façon décisive la reprise d'une croissance de long terme.

Les autorités congolaises sont particulièrement attachées à parvenir à la conclusion d'accords bilatéraux de consolidation avec chacun des créanciers.

De plus, le Gouvernement Congolais demande que lui soit accordée une clause élargie de conversion de dette qui puisse accompagner des mesures de soutien aux secteurs de la santé, de l'éducation et de l'environnement qui risquent d'être pénalisés par la rigueur de l'ajustement au lendemain de la dévaluation de 50 % du Franc CFA.

Le Gouvernement Congolais présentera une requête similaire de réduction de sa dette extérieure aux autres créanciers officiels bilatéraux ainsi qu'aux banques commerciales du Club de Londres dans un proche avenir.

En vous confiant la transmission de la présente requête aux pays qui participeront à la prochaine réunion des créanciers du Club de Paris ainsi qu'aux observateurs usuels, je vous prie d'agréer, Monsieur le Président, l'assurance de parfaite considération.



**Ngula MOUNGOUNGA-NKOMBO**

Monsieur Christian NOYER  
Président du Club de Paris  
Directeur du Trésor  
Ministère de l'Economie et des Finances  
75572 Paris - CEDEX



## PRESS RELEASE

Representatives of the Governments of Belgium, Brazil, Canada, Denmark, France, Germany, Italy, Spain, Switzerland, the United Kingdom and the United States of America hereinafter referred to as "Participating Creditor Countries", met in Paris on June 30, 1994 with the representatives of the Government of the Republic of Congo, in order to examine the request to alleviate that country's external debt service burden.

Observers of the Governments of Japan and the Netherlands, as well as the International Monetary Fund, the International Bank for Reconstruction and Development, the African Development Bank, the Secretariat of the U.N.C.T.A.D. and the Organization for Economic Cooperation and Development also attended the meeting.

Representatives of the Participating Creditor Countries welcomed the efforts at economic recovery undertaken by the Government of the Republic of Congo. They noted with satisfaction the adoption by the Government of the Republic of Congo of an economic and financial program supported by a stand-by arrangement with the International Monetary Fund approved by the Executive Board of the Fund on May 27, 1994. They also noted that the Republic of Congo is a highly indebted lower middle income country and they thought it relevant to make a positive contribution to the improvement of the Republic of Congo's external payments prospects in order to facilitate the recovery of its economy.

It is in this spirit that the representatives of the Participating Creditor Countries agreed to recommend to their respective Governments a major reorganization of the external debt of the Republic of Congo resulting from loans and guaranteed credits extended by Participating Creditor Countries to the Republic of Congo.

This reorganization applies to payments due on these debts. Repayment will be made by the Government of the Republic of Congo over a 20 year period as concerns the Official Development Aid loans and over a 15 year period including a grace period of 8 years as concerns other credits. On a voluntary basis, each creditor country may also undertake limited debt for nature, debt for aid, debt for equity swaps or other local currency debt swaps.

The delegation of the Republic of Congo was headed by Mr. Nguila MOUNGOUNGA-NKOMBO, Minister of Finance and Budget. The meeting was chaired by Mr. Bertrand de MAZIERES, Deputy Assistant Secretary for Aid and Debt Affairs at the Treasury at the Ministry of Economy.

The delegation of the Republic of Congo expressed its thanks to the Participating Creditor Countries of the Paris Club for their efforts in assisting the Republic of Congo to pursue the improvement of its economic and financial situation.

**AGREED MINUTE  
ON THE CONSOLIDATION OF THE DEBT  
OF THE REPUBLIC OF CONGO**

**I- PREAMBLE**

1. The representatives of the Governments of Belgium, Brazil, Canada, Denmark, France, Germany, Italy, Spain, Switzerland, the United Kingdom and the United States of America, hereinafter referred to as "Participating Creditor Countries", met in Paris on June 30, 1994 with representatives of the Government of the Republic of Congo in order to examine the request to alleviate the Republic of Congo's external debt service obligations. Observers of the Governments of Japan and the Netherlands, as well as of the International Monetary Fund, the International Bank for Reconstruction and Development, the African Development Bank, the Secretariat of the U.N.C.T.A.D. and the Organization for Economic Cooperation and Development also attended the meeting.

2. The Delegation of the Republic of Congo described the serious economic and financial difficulties faced by its country and its strong determination to reduce the economic and financial imbalances and to attain the targets of the program supported by the stand-by arrangement with the International Monetary Fund.

3. The representatives of the International Monetary Fund described the Republic of Congo's economic situation and the major elements of the adjustment program undertaken by the Government of the Republic of Congo and supported by the stand-by arrangement with the International Monetary Fund approved by the Executive Board of the Fund on May 27, 1994. This arrangement, covering the period ending on May 26, 1995 involves specific commitments in both the economic and financial fields.

4. The representatives of the Governments of the Participating Creditor Countries noted that the Republic of Congo is a highly indebted lower middle income country and also took note of the measures of adjustment in the economic and financial program undertaken by the Government of the Republic of Congo ; they stressed the importance they attach to the continued and full implementation of this program, in particular, the revitalization of the productive sector of the economy and the improvement of the public finances.

**II- RECOMMENDATIONS ON TERMS OF THE REORGANIZATION**

In view of the serious payment difficulties faced by the Republic of Congo, the representatives of the Participating Creditor Countries agreed to recommend to their Governments or their appropriate institutions that they provide, through rescheduling or refinancing, debt relief for the Republic of Congo on the following terms :

**1. Debts concerned**

The debts to which this reorganization will apply are the following :

a) commercial credits guaranteed or insured by the Governments of the Participating Creditor Countries or their appropriate institutions, having an original maturity of more than one year, and which were extended to the Government of the Republic of Congo or its public sector or covered by the guarantee of the Government of the Republic of Congo or its public sector, including payments due under previous bilateral consolidations, pursuant to a contract or other financial arrangement concluded before January 1, 1986 ;

*Handwritten signatures and initials:*  
sm, A, M, P, P, R, B, B, Egg, M, ge, G



b) loans from Governments or appropriate institutions of the Participating Creditor Countries, having an original maturity of more than one year, and which were extended to the Government of the Republic of Congo or its public sector, or covered by the guarantee of the Government of the Republic of Congo or its public sector, pursuant to a contract or other financial arrangement concluded before January 1, 1986, including payments due under previous bilateral consolidations ;

c) repayments of principal and interest due as a result of the consolidation agreements concluded or to be concluded according to the Agreed Minutes dated July 18, 1986 and September 13, 1990.

It is understood that debt service due as a result of debts described above in the present Agreed Minute and effected through special payment mechanisms or other external accounts is included in the present reorganization. Participating Creditor Countries will reschedule, refinance, or take other appropriate measures to ensure that this category of debt is treated in a manner comparable to other debt subject to this Agreed Minute.

## **2. Terms of the consolidation**

The debt relief will apply as follows :

**A/ As regards Official Development Aid loans mentioned in paragraphs 1.b) and 1. c) above :**

100% of the amounts of principal and interest (including late interest) due as at June 30, 1994 inclusive and not paid and 100% of the amounts of principal and interest (excluding late interest) due from July 1, 1994 up to May 31, 1995 inclusive and not paid will be rescheduled or refinanced.

Repayment by the Government of the Republic of Congo of the corresponding sums will be made in 20 equal and successive semi-annual payments, the first payment to be made on June 30, 2005 (end of the grace period) and the final payment to be made on December 31, 2014 (end of the repayment period).

**B/ As regards other credits mentioned in paragraph 1. above :**

a) 100% of the amounts of principal and interest (including late interest) due as at June 30, 1994 inclusive and not paid will be rescheduled or refinanced.

Repayment by the Government of the Republic of Congo of the corresponding sums will be made in 20 equal and successive semi-annual payments, the first payment to be made on June 30, 2000 (end of the grace period) and the final payment to be made on December 31, 2009 (end of the repayment period).

b) 100% of the amounts of principal and interest (excluding late interest) due from July 1, 1994 up to May 31, 1995 inclusive will be rescheduled or refinanced.

Repayment by the Government of the Republic of Congo of the corresponding sums will be made in 14 equal and successive semi-annual payments, the first payment to be made on June 30, 2003 (end of the grace period) and the final payment to be made on December 31, 2009 (end of the repayment period).

c) On a voluntary basis, the Government of each creditor country or its appropriate institutions may sell or exchange, with the assent of the Government of the Republic of Congo, in the framework of debt for nature, debt for aid, debt for equity swaps or other local currency debt swaps :

*Handwritten signatures and initials:*  
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(i) the amounts of outstanding loans and consolidations mentioned in paragraph 1. above as regards official development aid loans and direct government loans ;

(ii) the amounts of other outstanding credits and consolidations mentioned in paragraph 1. above, up to 10% of the amounts of outstanding claims as of August 31, 1990 or up to an amount of 20 million US dollars, whichever is higher.

d) Late interest charges are those interest charges accruing between the contractual payment date of principal and interest due and not paid, and a date to be fixed in the bilateral agreements concluded for the implementation of the present Agreed Minute.

### 3. Rate of interest

The rates and the conditions of interest on the financial arrangements covered by this Agreed Minute will be determined bilaterally between the Government of the Republic of Congo and the Government or appropriate institutions of each Participating Creditor Country on the basis of the appropriate market rate.

As regards Official Development Aid loans, the rates and the conditions of interest should be at least as favourable as the concessional rates applying to those loans.

### III - GENERAL RECOMMENDATIONS

1. In order to secure comparable treatment of public and private external creditors on their debts, the Government of the Republic of Congo commits itself to seek from its external creditors, including banks and suppliers, rescheduling or refinancing arrangements on terms comparable to those set forth in this Agreed Minute for credits of comparable maturity, making sure to avoid inequality between different categories of creditors.

2. The Government of the Republic of Congo will seek to secure from each of the creditor countries not participating in this Agreed Minute rescheduling or refinancing arrangements on terms comparable to those set forth in this Agreed Minute. The Government of the Republic of Congo agrees not to accord any such creditor country repayment terms more favourable than those accorded to the Participating Creditor Countries.

3. The Government of the Republic of Congo agrees that it will promptly negotiate rescheduling or refinancing arrangements with other creditors on debts of a comparable term.

4. The provisions set forth in this Agreed Minute do not apply to creditor countries with principal and interest falling due during the reorganization period on debts specified in Article II paragraph 1., including arrears, of less than SDR 500,000. The payments owed to these countries should be made on the original due dates. Payments already due and not paid should be made as soon as possible and, in any case, not later than October 31, 1994.

5. Each of the Participating Creditor Countries agrees to make available, upon the request of another Participating Creditor Country, a copy of its bilateral agreement with the Government of the Republic of Congo which implements this Agreed Minute. The Government of the Republic of Congo acknowledges this arrangement.

6. Each of the Participating Creditor Countries agrees to inform the Chairman of the Paris Club of the date of the signature of its bilateral agreement, of the interest rates and of the amounts of debts involved. The Government of the Republic of Congo acknowledges this arrangement.

7. The Government of the Republic of Congo will inform the Chairman of the Paris Club of the content of its bilateral agreements with creditors mentioned in paragraphs 1., 2. and 3. above.

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8. The Government of the Republic of Congo undertakes to pay all debt service due and not paid on consolidations, on loans, on credits or pursuant to contracts or other financial arrangements payable on cash terms, extended or guaranteed by the Governments of the Participating or Observer Creditor Countries or their appropriate institutions, and not covered by this Agreed Minute as follows :

a) 100% of the amounts of principal and interest (excluding late interest) due as at June 30, 1994 inclusive and not paid on credits and loans having an original maturity of more than one year pursuant to a contract or other financial arrangement concluded after January 1, 1986 and 100% of the amounts due as at June 30, 1994 inclusive and not paid on commercial credits guaranteed by the Governments of the Participating or Observer Creditor Countries or their appropriate institutions, having an original maturity of one year or less, pursuant to a contract or other financial arrangement, will be paid as follows :

- 15% on October 31, 1994 ;
- 15% on December 31, 1994 ;
- 35% on March 31, 1995 ;
- 35% on May 31, 1995 ;

b) the other amounts due and not paid as at June 30, 1994 inclusive will be paid as soon as possible and in any case, not later than October 31, 1994.

Late interest will be charged on those amounts.

#### IV - IMPLEMENTATION

The detailed arrangements for the rescheduling or refinancing of the debts will be accomplished by bilateral agreements to be concluded by the Government or the appropriate institutions of each Participating Creditor Country with the Government of the Republic of Congo on the basis of the following principles :

1. The Government or the appropriate institutions of each Participating Creditor Country will either :

- refinance debts by placing new funds at the disposal of the Government of the Republic of Congo according to existing payment schedules during the reorganization period and for the above mentioned percentage of payment. These funds will be repaid by the Government of the Republic of Congo according to schedules mentioned above in paragraph II.2. ;

- or reschedule the corresponding payments.

2. All other matters involving the rescheduling or the refinancing of the debts will be set forth in the bilateral agreements which the Government of the Republic of Congo and the Governments or the appropriate institutions of the Participating Creditor Countries will seek to conclude with the least delay and in any case before December 31, 1994.

3. The provisions of the present Agreed Minute will continue to apply provided that the Government of the Republic of Congo continues to have an appropriate arrangement with the International Monetary Fund.

For this purpose, the Government of the Republic of Congo agrees that the International Monetary Fund inform the Chairman of the Paris Club regarding the status of the Republic of Congo's relations with the International Monetary Fund.

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4. The provisions of the present Agreed Minute will be declared null and void if the Government of the Republic of Congo has not made, on October 31, 1994, the payments as required by Article III paragraph 8.a) hereabove.

5. To facilitate the implementation of this Agreed Minute, the Banque des Etats d'Afrique Centrale will deposit in the special account established with the Banque de France on behalf of the Government of the Republic of Congo, the equivalent of at least SDR 6 million at the end of each month, commencing in August 1994 through May 1995 inclusive. The Government of the Republic of Congo will arrange to have this Bank notify the Chairman of the Paris Club as soon as each deposit has been made. The total amount approximates the amounts estimated to be payable to all Participating Creditor Countries from July 1, 1994 up to May 31, 1995 inclusive, under the terms of the bilateral agreements to be concluded pursuant to this Agreed Minute. As specific payments under these agreements become due, the Government of the Republic of Congo will draw on the special account to meet these payments ; no drawing will be made on the special account for any other use before all payments due from July 1, 1994 up to May 31, 1995 inclusive under these agreements have been made. Any drawing on this account will be made after a previous 15-day notice to the above Bank, which this Bank will notify immediately to the Chairman of the Paris Club. This scheme could be continued by agreement between the parties.

6. In response to the request of the representatives of the Government of the Republic of Congo, the Participating Creditor Countries agreed in principle to a meeting to consider the matter of the Republic of Congo's debt service payments relating to loans or credits pursuant to a contract or other financial arrangement concluded before January 1, 1986 and falling due after May 31, 1995 provided :

- that the Republic of Congo continues to have an appropriate arrangement with the International Monetary Fund ;

- and that the Republic of Congo has complied with all conditions set out in this Agreed Minute in particular pursuant to Article III paragraph 8.a).

7. The representatives of the Governments of each of the Participating Creditor Countries and of the Government of the Republic of Congo agreed to recommend to their respective Governments or appropriate institutions that they initiate bilateral negotiations at the earliest opportunity and conduct them on the basis of the principles set forth herein. The Government of the Republic of Congo commits itself to sign, as soon as possible and in any case before December 31, 1994, all the remaining bilateral agreements pursuant to the September 13, 1990 Agreed Minute.

Done in Paris, on June 30, 1994,  
in two versions, English and French,  
both texts equally authentic.

The Chairman  
of the Paris Club

The Head of the Delegation  
of the Republic of Congo


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Delegation of Belgium



Delegation of Germany



Delegation of Brazil



Delegation of Italy



Delegation of Canada

*Richard Besten*

Delegation of Spain



Delegation of Denmark



Delegation of Switzerland



Delegation of France



Delegation of the United Kingdom



Delegation of the United States  
of America



PARIS CLUB MEETING ON CONGO

30 June 1994

Statement by the UNCTAD representative

The Congolese economy is at a turning point. The massive devaluation of the CFA franc will play a key role in restoring the competitiveness of the country's exports and import substitution activities. Unlike many African countries coming to the Paris Club, Congo is well endowed with natural resources and has a strong long-term potential for sustained economic growth. For the devaluation to succeed, however, a number of complementary measures need to be carried out by Congo and its development partners.

Previous speakers have dwelt on domestic policies. I would like to focus on supportive action that could be taken by the international community. Adequate external financing, including debt relief, is a prerequisite for the success of Congo's new economic course. It is indispensable for implementing the country's investment programme, for dampening inflationary pressures and for dealing with the external debt burden.

This burden has been compounded by the devaluation. This action has indeed revealed what an overvalued exchange rate had hidden for many years: the true burden of the country's external debt, in terms of the domestic resource cost.

debt relief. For this purpose, the contribution of Paris Club creditors will be crucial, as they account for about two thirds of Congo's external debt. The financing gaps are of such proportions that they call for measures going beyond standard practices with a view to enlarging the size of debt eligible for relief.

Congo fully qualifies for the Houston terms, given its poverty level, its heavy indebtedness, and the importance of official bilateral debt. These terms will ease the liquidity constraint but the country's debt servicing capacity will continue to be under considerable pressure. Even after repeated reschedulings on Houston terms, and excluding the clearance of multilateral arrears, the debt service ratio would still average over 50 per cent during the period 1994-96 and remain well above 30 per cent up to the year 2001.

In the absence of concessional debt relief measures, the debt overhang will continue to stifle Congo's growth prospects and impede its external financial viability for many years to come.

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## CONGO

## CAPACITE DE PAIEMENT / CAPACITY OF PAYMENTS

Date limite : 1er janvier 1986

Cut-off-date : January 1, 1986

(Milliards de FCFA / Billion CFAF)

Tableau des opérations financières de l'Etat	1994	1995	Government financial operations
<b>Recettes</b> . Recettes pétrolières . Recettes fiscales et douanières . Recettes non fiscales	231,3 83,8 140,0 7,5	262,4 100,5 154,2 7,7	<b>Revenue</b> . Oil revenue . Tax and customs revenue . Nontax revenue
<b>Dépenses</b> . Dépenses de fonctionnement (hors intérêts) . Dépenses en capital (hors amortissement de la dette) . Coût des réformes structurelles	276,3 194,0 67,3 15,0	283,3 198,3 70,0 15,0	<b>Expenditure</b> . Current expenditure (excluding interest) . Capital expenditure (excluding external debt amortization) . Cost of structural reforms
<b>Solde primaire (hors intérêts)</b>	-45,0	-20,9	<b>Non-interest primary balance</b>
<b>Financement intérieur</b> . Dette intérieure <i>Intérêts</i> <i>Réduction des arriérés</i> . Financement bancaire <i>dont contrepartie nette du tirage FMI</i> . Transferts des entreprises publiques	-1,5 -8,1 -8,1 0,0 -6,0 15,2 12,6	-3,1 -7,1 -7,1 0,0 -6,0 2,2 10,0	<b>Domestic financing</b> . Domestic debt <i>Interest</i> <i>Réduction in arrears</i> . Bank financing <i>of which : net counterpart of IMF drawing</i> . Transfers from public enterprises
<b>Financement extérieur</b> . Dons . Prêts projets . Prêts - programme <i>Institutions multilatérales (hors FMI)</i> <i>Banque Mondiale</i> <i>BAD</i> <i>Union Européenne</i> <i>autres</i> <i>Assistance bilatérale exceptionnelle (France)</i> <i>Autres</i>	345,2 11 49,4 254,8 169,8 75,6 61,7 10,3 22,2 85 30	179,7 11,4 51,3 117 67 18 30 19 22,2 50 30	<b>External financing</b> . Grants . Project Loans . Program loans <i>Multilateral institutions (exc. IMF)</i> <i>World Bank</i> <i>ADB</i> <i>European Union</i> <i>other</i> <i>Exceptional bilateral assistance (France)</i> <i>other</i>
<b>Solde disponible pour le service de la dette extérieure</b>	298,7	155,7	<b>Amount available for external debt service</b>

	1994	1995	
<b>Solde disponible pour le service de la dette extérieure</b>	<b>298,7</b>	<b>155,7</b>	<b>Amount available for external debt service</b>
<b>Palements aux organisations multilatérales</b>	<b>158,2</b>	<b>33,8</b>	<b>Payments to multilateral organizations</b>
. FMI (intérêts)	0,7	1,2	. IMF charges
. BIRD	14,1	13,2	. IBRD
. Other	20,2	19,4	. Autres
. Arriérés (fin 1993)	123,2		. Arrears (end 1993)
<b>Solde disponible après paiement des organisations internationales</b>	<b>140,5</b>	<b>121,9</b>	<b>Amount available after payments to international organizations</b>
<b>Club de Londres</b>	<b>5</b>	<b>5</b>	<b>London Club</b>
<b>Créanciers publics non Club de Paris</b>	<b>4,8</b>	<b>5,0</b>	<b>Non Paris Club official creditors</b>
<b>Dette gagée (après rééchelonnement)</b>	<b>24,0</b>	<b>8,7</b>	<b>Securitized debt (after rescheduling)</b>
<b>Dette diverse</b>	<b>2,5</b>	<b>2,5</b>	<b>Other debt</b>
<b>Solde disponible pour le service de la dette extérieure due au Club de Paris</b>	<b>104,2</b>	<b>100,7</b>	<b>Amount available for external debt service due to the Paris Club</b>
<b>Palements au Club de Paris (après annulation APD française)</b>	<b>65,0</b>	<b>23,0</b>	<b>Payments to the Paris Club (after cancellation of French ODA)</b>
. Dette contractée après la date-butoir	36	23	. Post cut-off date loans
- arriérés au 30 juin 1994 (hors intérêts de retard)	25	0	- arrears as at June 30, 1994 (excluding late interest)
- intérêts de retard	2,0		- late interest
- intérêts moratoires sur différé	0		- moratorium interest on differal
- échéances courantes	9	23	- current maturities
. Dette à court terme	29	0	. Short-term loans
. Intérêts moratoires (Club de Paris)	31	36,5	. Moratorium interest (Paris Club)
. Intérêts sur les nouveaux emprunts	10	25	. Interest on new loans
<b>Solde disponible</b>	<b>-2,2</b>	<b>16,2</b>	<b>Amount available</b>

**- Pour mémoire : annulation d'APD française**

. dont pré date butoir	114,5	10,5
arriérés (31/12/93)	60,4	5,7
échéances courantes	55,0	
5,4	5,7	
. dont post date butoir	54,1	4,8
arriérés (31/12/93)	49,0	
échéances courantes	5,1	4,8

**- Pour mémoire : cancellation of French ODA**

. of which : pre cut off date		
arriérés (31/12/93)		
current maturities		
. of which : post cut off date		
arriérés (31/12/93)		
current maturities		



## CONGO

## SERVICE DE LA DETTE / DEBT SERVICE

I- CLUB DE PARIS				I- PARIS CLUB				
(en Mds FCFA) taux de change = rapport FMI 1\$ = 604,7 FCFA	Arriérés au 31/12/1993	1er semestre 1994	2ème semestre 1994	total 1994	1er semestre 1995	2ème semestre 1995	total 1995	(in billion of CFA francs) exch. rate = IMF staff report 1\$ = 604,7 FCFA
<b>Crédits pré date butoir (NPRD + PRD)</b>	<b>462</b>	<b>69</b>	<b>60</b>	<b>129</b>	<b>56</b>	<b>81</b>	<b>137</b>	<b>Pre COD credits (NPRD + PRD)</b>
- principal	255	44	38	82	36	61	97	- principal
- intérêts	216	28	24	52	23	22	46	- interest
- (annulation APD française)	-55	-3	-3	-5	-3	-3	-6	- (French ODA cancellation)
- intérêts de retard	46							- late interest
<b>dont : Crédits MLT contractés avant la date-limite et non précédemment rééchelonnés (Secteur public)</b>	<b>174</b>	<b>20</b>	<b>14</b>	<b>35</b>	<b>12</b>	<b>11</b>	<b>22</b>	<b>MLT loans contracted before the cut-off-date and not previously rescheduled (Public sector)</b>
- principal	132	17	12	30	10	9	19	- principal
- intérêts	42	3	2	5	2	1	3	- interest
<b>dont : Crédits contractés avant la date-limite et précédemment rééchelonnés</b>	<b>297</b>	<b>51</b>	<b>49</b>	<b>100</b>	<b>48</b>	<b>73</b>	<b>121</b>	<b>Loans contracted before the cut-off-date and previously rescheduled</b>
- principal	124	26	26	53	26	52	78	- principal
- intérêts	174	25	22	47	22	21	43	- interest
<b>. Club de Paris 1986 (I)</b>	<b>171</b>	<b>32</b>	<b>31</b>	<b>63</b>	<b>29</b>	<b>17</b>	<b>47</b>	<b>. Paris Club 1986 (I)</b>
- principal	123	26	26	53	26	15	41	- principal
- intérêts	48	6	4	10	3	3	6	- interest
<b>. Club de Paris 1990 (II)</b>	<b>127</b>	<b>19</b>	<b>18</b>	<b>37</b>	<b>18</b>	<b>56</b>	<b>74</b>	<b>. Paris Club 1990 (II)</b>
- principal	1	0	0	0	0	37	37	- principal
- intérêts (*)	126	19	18	37	18	18	37	- interest (*)
<b>Crédits MLT contractés après la date-limite</b>	<b>17</b>	<b>10</b>	<b>9</b>	<b>17</b>	<b>10</b>	<b>11</b>	<b>23</b>	<b>Post cut-off-date MLT loans</b>
- principal	27	7	7	14	8	7	15	- principal
- intérêts	37	5	4	8	4	4	8	- interest
- (annulation APD française)	-49	-3	-3	-5	-2	-2	-5	- (French ODA cancellation)
- intérêts de retard	2							- late interest
<b>Dettes à court terme</b>	<b>29</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>Short term debt</b>
- principal	29	0	0	0	0	0	0	- principal
- intérêts	0							- interest
<b>TOTAL</b>								<b>TOTAL</b>
(hors intérêts moratoires)	512	79	69	146	66	89	156	(moratorium interest excluded)
- principal	312	51	45	96	44	69	113	- principal
- intérêts	253	33	29	60	28	26	54	- interest
- (annulation APD française)	-104	-5	-5	-11	-5	-5	-11	- (French ODA cancellation)
- intérêts de retard	51							- late interest

(\*) inclut une estimation pour l'Italie (accord bilatéral non signé)

includes an estimate for Italy (bilateral agreement not signed) (\*)



(en Mds FCFA)  
taux de change = rapport FMI  
1\$ = 604,7 FCFA

Arriérés au 31/12/1993	1994	1995

(in billion of CFA francs)  
exch. rate = IMF staff report  
1\$ = 604,7 FCFA

## II - CREANCIERS MULTILATERAUX / MULTILATERAL CREDITORS

<b>TOTAL</b>	<b>123,2</b>	<b>34,9</b>	<b>33,8</b>	<b>TOTAL</b>
- principal	59,2	22	20,3	- principal
- intérêts	64	12,9	13,5	- interest
FMI (intérêts)	0	0,7	1,2	IMF (interest)
BIRD	46	14,1	13,20	IBRD
AID	2,8	1	1,00	IDA
BAD	44	13,5	12,50	AfDB
Autres	30,4	5,6	5,90	Other

## III - AUTRES CREANCIERS PUBLICS / OTHER OFFICIAL CREDITORS

<b>TOTAL</b>	<b>72</b>	<b>5</b>	<b>6,9</b>	<b>TOTAL</b>
- principal	58	4,3	6,3	- principal
- intérêts	14	0,7	0,6	- interest
Pays arabes	36,8	4,5	4,5	Arab countries
Pays africains	32,2	0	0	African countries
Pays socialistes	3	0,5	2,4	Socialist countries

## III - BANQUES COMMERCIALES/COMMERCIAL BANKS

<b>TOTAL</b>	<b>233,4</b>			<b>TOTAL</b>
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## IV - AUTRES DETTES COURT TERME/OTHER SHORT TERM DEBT

<b>TOTAL (Poste, Hôpitaux...)</b>	<b>22,2</b>			<b>TOTAL (Postal debt, Hospitals...)</b>
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## V - DETTE GAGEE (avant rééchelonnement) / SECURED DEBT (before rescheduling)

<b>TOTAL</b>	<b>0</b>	<b>50,8</b>	<b>30,5</b>	<b>TOTAL (IMF excluded)</b>
- principal		41,6	20,0	- principal
- intérêts		9,2	10,5	- interest

## V - CREANCIERS PRIVES NON GARANTIS / NONGUARANTEED PRIVATE CREDITORS

<b>TOTAL</b>	<b>161,4</b>	<b>0</b>	<b>0</b>	<b>TOTAL (IMF excluded)</b>
- principal	39,8			- principal
- intérêts	14,6			- interest
plus : "Club de Brazzaville"	107			plus : "Brazzaville Club"

## CONGO

Paris Club - June 28, 1994

### Statement by Representative of the World Bank

*Honorable Ministers, Distinguished delegates*

The Government's decision to realign the CFA parity provides opportunities to reconstitute Congo's adjustment program against the background of encouraging domestic political developments. It also makes possible a reactivation of the Bank Group's lending program to the country, after a hiatus of four years.

Congo's economy is dominated by the oil sector which accounts for 25 percent of GDP, 50 percent of government revenue, more than 50 percent of gross investments, and about 75 percent of merchandise exports. During the 1980s, Congo borrowed heavily on the strength of its oil resources, investing substantial public funds in the development of the country's infrastructure.

However, since 1986, when the price of crude oil fell by <sup>*dramatically*</sup> ~~50 percent~~, Congo has been in macroeconomic and financial crisis. The contraction of government revenue led to a massive reduction in the public investment program and an ensuing contraction of non-oil GDP. During 1985-93 public investment expenditures declined by 92 percent while real non-oil GDP declined at an average rate of -2.2 percent per annum. While labor supply increased by about 25 percent, formal sector employment increased by only 15 percent. As a result, unemployment in urban areas has increased significantly especially among the youth, reaching an estimated 40 percent.

The financial strains that became evident in the late 1980s intensified in the 1990s. Faced with significant declines in revenues, total government expenditures continued to expand. Subsidies to public utilities and a wide range of consumer goods led to unreasonable social expectations which could not be fulfilled. This lack of fiscal discipline led to a persistent



budget deficit and increased difficulty in servicing internal and external debts. The size of external debt expanded from \$3.0 billion in 1985 to \$5.1 billion in 1993. *the Congo's*

The January 1994 exchange rate adjustment provides a unique opportunity to initiate sustainable growth and to restore health to public finances. The authorities are to be commended for launching a comprehensive economic and social reform program that aims at: (a) improving public sector efficiency through better public resource management and public enterprise reform; (b) strengthening the country's production capacity through trade and regulatory reforms and removing impediments to private sector growth; and (c) developing human resources and reducing poverty. Significantly, the government program has succeeded in freezing wages and containing inflation to about 13 percent for the ~~first four~~ months following the devaluation.

The speed with which the government has implemented the structural measures of the first phase is a testimony to the government's commitment to reform. To improve public sector efficiency, the focus has been on increasing budget revenues, reducing public expenditures, and restructuring public enterprises. Measures to raise transport and public utility rates and end the refinery's management agreement will increase non-oil revenues by about 22 percent in 1994. Retrenchment of the civil service will reduce the wage bill by 10 percent. The liquidation of the transport conglomerate in charge of railroads, ports, and river transport will reduce public transfers and subsidies by 8 percent. The second phase of the program to improve public sector efficiency is to focus on implementing the proposed reforms of public enterprises, especially transport and downstream petroleum sector, and continue civil service reform.

To promote private sector development, actions already taken include: adoption of a privatization law; adoption of a new petroleum law; and establishment of a banking restructuring commission to liquidate two banks and prepare two others for privatization.

Other measures on the government agenda for the private sector are: new labor laws to



minimize intervention of the State in the labor market, and promotion of small and medium enterprises.

The Government recognizes that the above efforts will inevitably have a social impact. To develop human resources, the government has decided to implement urgent policy measures aimed at: (a) switching expenditures to key inputs such as materials, medicine, books and in-service training; (b) redeploying and re-training personnel now overly concentrated in urban centers; (c) <sup>planned at</sup> developing moderate, progressive charges for services and supplies; (d) <sup>at</sup> re-designing procurement systems to obtain lower costs for medicine, books and other materials; (e) <sup>planned at</sup> creating labor intensive public works; and (f) <sup>at</sup> establishing an action program for urban youth and displaced public employees to test skills and provide training and credit. As a first step, the government has already launched an inventory of basic education and health facilities in urban areas, and started the preparation of staff redeployment plans for the Ministries of Health and Education.

The new strategy represents a departure from past practices, towards efficient and transparent public sector policies, discipline in fiscal affairs, disengagement of the State from production and commercial activities and a dynamic private sector. These are the foundations of economic growth in the medium term to the tune of 4-5 percent per annum which, aside from the oil sector, are likely to come from timber, transit services, and agro industries. Transit and timber are activities in which Congo had a comparative advantage in the pre-oil era. Far from adversely affecting the forestry environment, expanding timber exports will come from coastal plantations of softwood, for which a good incentive framework is already in place. In support of the new orientation of Congo's economic strategy, IDA ~~expects to present to its Board~~ <sup>has just approved</sup> an Economic Recovery Credit (ERC) of US\$100 million in ~~FY94~~; a Structural Adjustment Credit of \$40 million, and an Economic Management Technical Assistance Project in ~~early FY95~~.

as the Minister has just power sent

will be presented to our Board later this year

The success of the government program will depend partially on the financial support the international community can mobilize on behalf of Congo. In this context, the multilateral institutions, bilateral, and commercial creditors have important roles to play. We trust that creditors will provide support to Congo in meeting its formidable challenges in socio-economic development.

Paris Club Meeting on the Republic of Congo

June 30, 1994

Statement by the IMF Staff Representative

On behalf of the staff of the International Monetary Fund, I am pleased to participate in this meeting of the Paris Club on the Congo's request for rescheduling part of its external debt obligations. As you know, on May 27, 1994, the Fund approved a one-year stand-by arrangement in an amount equivalent to SDR 23.16 million (40 percent of quota) for the Congo, in support of the Government's adjustment program for 1994. To date, the Congo has made one purchase under the arrangement equivalent to SDR 12.5 million, corresponding to the first tranche. I would like to focus my remarks on recent economic and financial developments in the Congo, and the policies being implemented by the authorities and the financing requirements under their program.

Since the mid-1980s, policy-makers in the Congo have recognized the inefficiencies of the economy, based as it has been on heavy government intervention and large-scale investment financed by petroleum revenues and external borrowing. The fundamental weaknesses of the economy were exposed when the oil boom of 1979-80 collapsed and precipitated severe fiscal and balance of payments problems, including growing debt servicing difficulties. Periodic adjustment efforts in 1986 and late 1989 were not sustained and the economy continued to weaken. In the context of a popular uprising and demands for a multi-party system, in late 1990/early 1991 the Government added some 8,000 to 12,000 employees to the civil service payroll, raised



average civil service salaries by almost 50 percent, and sharply increased transfer payments to public sector entities and other beneficiaries. Even larger pay increases were won by labor in the public enterprises operating in key sectors of the economy.

In the ensuing three years, the Congo's economic and financial problems became increasingly acute. There was a large build up of domestic and external payments arrears, and the nonoil sector stagnated, reflecting a considerable loss of competitiveness. By December 1993, the Government was several months behind on its payments of salaries, while external payments arrears exceeded 85 percent of GDP on a debt stock equivalent to 215 percent of GDP. A growing web of domestic arrears, including arrears to the banking system, had severely strained the financial position of enterprises. This was capped by a more than 6½ percent decline in nonoil sector GDP in 1993.

Against this background, and with the cessation of domestic political turmoil the present Congolese administration took advantage of the policy opportunity afforded by the devaluation of the CFA franc on January 12, 1994 to embark on a comprehensive adjustment program to deal with the Congo's severe economic and financial problems. The program is based on a medium-term strategy that represents a clear break with the onerous economic traditions and practices of the preceding decades. Thus, it calls especially for a progressive disengagement of the public sector to make room for the private sector in developing a liberal market oriented economy.

The thrust of the authorities' strategy has two main components. The first focuses on fiscal retrenchment and expenditure rationalization. The key to this is a downsizing and restructuring of the civil service and a

reduction of subsidies and transfers that were used in the past as a vehicle for income distribution and resource allocation. At the same time, emphasis is to be placed on revenue enhancement through improved domestic taxation and the restoration of transparency to oil sector transactions. Important in this regard is the implementation as of April 1994 of the UDEAC-wide reforms that have served not only to reduce effective protection and open the way for the elimination of quantitative import restrictions, but also to reform domestic taxation to make it more broad-based, buoyant, and less dependent upon international trade. The second set of measures consists of wide-ranging structural reforms that focus on the public enterprise monopolies and the regulatory framework.

The basic macroeconomic objectives of the Congo's program for 1994 are to: (a) arrest the decline of nonoil real GDP, while overall real GDP would drop by some 2½ percent because of the projected fall in petroleum output; (b) limit inflation, as measured by the average increase in the high-income consumer price index, to some 40 percent; and (c) contain the external current account deficit (excluding official transfers) at around 28 percent of GDP, and the underlying nonoil sector current account deficit at less than 19 percent of nonoil GDP. The medium-term goals are to achieve an annual growth of real GDP of 5 percent, while reducing inflation to levels in line with competing countries. To this end, steady pursuit of the strategy of fiscal retrenchment is envisaged to turn the Government's primary balance into a surplus of 3.2 percent of GDP by 1996.

The government budget for 1994, which was revised in February in line with the program objectives, lays the basis for effective fiscal adjustment.

Current noninterest expenditure is programmed to decline by the equivalent of more than 7½ percentage points of GDP, largely as a result of a sizeable reduction in the number of government employees. The wage bill is capped at some CFAF 122 billion in 1994 or 10 percent below the budgetary allocation for 1993. These measures are critical not only for budgetary reasons, i.e., to help reduce the wage bill that has absorbed the bulk of budgetary resources, but also for setting the tone for the rest of the public sector to hold the line on wages and maintain financial discipline. Moreover, this policy will permit resources to be redirected to essential and productive expenditure and capital outlays that have been seriously compressed in recent years. Nonoil revenue is programmed to rise to the equivalent of 17.6 percent of GDP, from 13.3 percent in 1993, mainly as a result of several discretionary measures, notably the reintroduction of a tax on domestic petroleum consumption, which would raise total revenue including petroleum receipts to some CFAF 231 billion (27.5 percent of GDP) in 1994. Thus, given the expenditure stance, the overall government deficit, on a commitment basis, is to be limited to CFAF 156 billion in 1994, or the equivalent of 18½ percent of GDP, with the primary deficit to be compressed to 5.4 percent of GDP, from 13.2 percent in 1993.

On the structural front, specific measures are to be implemented according to a clearly defined timetable, beginning with a number of critical actions in 1994. The Government has already taken a number of the decisive measures under the program. Effective April 1994, some 7,000 persons and budgetary positions were eliminated from the civil service to start the process of downsizing the public service and purging the rolls of



irregularities. The Government has also moved quickly to break up the complex road, rail, and river transport monopoly (ATC) into three separate entities, and it has negotiated a contract placing the railway (CFCO) under private management with effect from end-June; the port of Pointe Noire is scheduled to become a limited company under private management; and river transport is to be privatized and the market opened up to competition. Furthermore, the Government has initiated a process that will lead to the sale or lease of the oil refinery (CORAF), the abrogation of the state's monopoly for the provision of refined petroleum products to the domestic market, and the privatization and liberalization of the storage, transportation, and distribution of petroleum products, activities now carried out by a single public enterprise (HYDROCONGO). The authorities have just passed a law setting the framework for the privatization of state enterprises, as well as a revised law providing for transparent regulations regarding petroleum sector activities. In addition, a new investment code and a legal framework for individual property titles and leasing contracts have been submitted to the National Assembly for approval. The program also envisages a revision of the labor code that would provide greater flexibility in the labor market.

The successful implementation of the adjustment program will depend not only on the efforts of the authorities, but also on adequate and timely financial and technical assistance from the international community. The program's financing requirements are estimated at CFAF 1,426 billion, or about US\$2.4 billion, in 1994. This includes the large overhang of the external payments of arrears (CFAF 1,146 billion or some US\$ 1.9 billion)

that need to be settled along with debt service obligations falling due during the year. The program provides for the elimination of all external payments arrears to official creditors and multilateral institutions by end-1994. The exceptional financing already identified for 1994 totals an estimated US\$598 million, including purchases under the requested stand-by arrangement from the Fund, equivalent to US\$32 million, and programmed disbursements of US\$215 million from the World Bank and the African Development Bank, to be made in the context of recovery credit programs and other operations that also provide the basis for the full settlement of the arrears of the two institutions. The other major component is in the form of some US\$260 million in bilateral financial assistance, mostly from France. In addition, in early April, on behalf of the Government, one of the major oil companies operating in the Congo agreed with the creditor banks to restructure into a long-term loan on very favorable terms that portion of the Congo's debt (US\$349 million at end-March 1994) that was securitized on its oil production. This has provided the Congo with significant cash flow relief and financial support. The authorities hope to close the remaining financing gap for 1994 by securing a comprehensive restructuring of the country's debt service obligations to official bilateral creditors and commercial banks. Hence, the Congo's request for a rescheduling of part of its external liabilities to official bilateral creditors. The authorities have also approached commercial banks and other creditors to secure additional financing for the program.

In the view of the Fund staff, the Congo's program for 1994 and beyond is sufficiently bold and ambitious, and the authorities have already taken a number of decisive actions that reflect their commitment to the adjustment process. Therefore, the Congo deserves the support of the international financial community.



# REUNION DU CLUB DE PARIS SUR LE CONGO

Paris, 30 juin 1994

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Allocution du Représentant de la Banque Africaine de Développement

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Monsieur le Président,  
Excellence Messieurs les Ministres,  
Distingués Délégués,  
Mesdames et Messieurs,

Permettez-moi, au nom de la Banque Africaine de Développement que j'ai le privilège et le plaisir de représenter, d'exprimer nos remerciements au Club de Paris et au Gouvernement du Congo pour l'invitation qui nous été faite de participer à cette importante réunion consacrée à l'examen de la requête de restructuration de la dette extérieure bilatérale de la République du Congo.

Notre intervention portera essentiellement sur les réflexions que nous inspire l'évaluation de la situation de l'économie congolaise et de ses perspectives économiques à court et moyen termes.

La situation économique du Congo s'est gravement détériorée ces dernières années. Le déséquilibre des finances publiques que l'on croyait maîtrisable en 1988, a pris une dimension de crise profonde en 1992-93 avec l'augmentation du déficit hors dons établi sur la base d'engagement, de 10,3 pour cent du PIB en 1989 à 22,6 pour cent en 1993. La position extérieure du Congo s'est aussi considérablement détériorée, le déficit courant, transferts officiels non compris, étant passé de 7,5 pour cent du PIB en 1989 à 21,3 pour cent en 1993. Dans ce climat de crise financière, le PIB n'a connu qu'une croissance de 0,4 % en moyenne par an entre 1989 et 1993, se traduisant par une détérioration du revenu par tête d'habitant, et donc du niveau de vie.

Le déficit du compte courant a été presque en totalité financé par accumulation d'arriérés extérieurs. Ceux-ci ont atteint environ 2,1 milliards de dollars E.U. à fin 1993, soit 185 % du PIB. Le volume de la dette extérieure ainsi que son service n'ont cessé d'augmenter, passant de 2,8 milliards de dollars en 1986 à environ 4,4 milliards de dollars E.U., soit 233 % du PIB en 1993. Le ratio du service de la dette due est passé de 49,5 % des exportations de biens et services non-facteurs en 1990 à 55,7% en 1993, comparé au ratio du service effectif d'environ 24 pour cent sur la période. A en juger par l'ampleur des arriérés et des ratios, l'endettement du Congo mérite une solution durable.

Monsieur le Président,

Les difficultés économiques rencontrées ces dernières années mettent en relief l'ampleur des rigidités structurelles de l'économie congolaise et sa vulnérabilité face aux perturbations extérieures. Elles reflètent aussi l'existence de contraintes sur le plan sectoriel et institutionnel qui entravent la croissance soutenue de l'économie.

Devant l'ampleur de ces problèmes, le Gouvernement s'est engagé à renforcer le processus d'ajustement avec un programme qui s'étaye sur les trois stratégies fondamentales que sont:

- promouvoir les initiatives du secteur privé dans les secteurs productifs de l'économie tout en limitant l'intervention de l'Etat à certains secteurs prioritaires et à l'amélioration de l'infrastructure;
- parvenir à une plus grande efficacité dans la gestion des ressources publiques par le biais d'une meilleure mobilisation et allocation des ressources; et
- rationaliser la fonction publique et restructurer les entreprises publiques.

Le programme du Gouvernement repose sur un vaste éventail de mesures de mobilisation des ressources, de rationalisation des dépenses et des mesures structurelles et sectorielles. Des progrès substantiels ont été faits par le Gouvernement dans la mise en oeuvre des réformes. Nous notons avec satisfaction le démarrage effectif du programme de rationalisation de la fonction publique avec la compression de près de 7.000 fonctionnaires.

Nous notons également l'adoption du niveau code des hydrocarbures, et de la loi sur les privatisations, ainsi que l'engagement du Gouvernement de privatiser les entreprises prioritaires. Nous notons enfin le démarrage, avec l'aide du PNUD, du programme de soutien aux entreprises privées. Nous louons ces efforts et plaçons, de façon univoque, notre confiance dans la volonté du Gouvernement de bâtir sur ces premiers résultats pour maximiser les chances d'accélérer la croissance économique et de restaurer, à terme, la viabilité financière de l'économie Congolaise.

Monsieur le Président,

Nous venons à juste titre de féliciter le Gouvernement pour les efforts faits dans l'exécution de son programme. Il va sans dire que la réussite du programme ne dépend pas uniquement de la volonté du Gouvernement. Elle est aussi tributaire d'un apport massif de ressources. A cet égard, le partenariat entre la Communauté des bailleurs de fonds et le Congo implique que nous le soutenions.

Pour sa part, le Groupe de la Banque Africaine de Développement entend renforcer et accroître ses concours en faveur du pays, dans les années à venir, pour appuyer, comme il se doit, les efforts louables du Gouvernement congolais. A ce jour, les engagements cumulés du Groupe de la BAD au Congo s'élèvent à près de 200 millions d'unités de compte pour un total de 21 opérations. L'essentiel de ces concours est allé vers les équipements collectifs, les secteurs des transports, de l'agriculture, de l'industrie et en appui aux réformes.

Notre stratégie à moyen terme s'articule autour des axes suivants:

- apporter un appui conséquent aux programmes de réforme structurel du Gouvernement. L'accent sera particulièrement mis sur (i) l'amélioration de la gestion des ressources publiques; (ii) la restructuration du secteur des entreprises publiques; et (iii) la promotion du secteur privé.
  
- renforcer et améliorer nos interventions et concours traditionnels au profit de projets et programmes dans les secteurs de l'agriculture, le transport,



REPUBLIQUE DU CONGO

## REUNION DES CREANCIERS DU CLUB DE PARIS

PARIS LE 30 JUIN 1994

**Monsieur le Président,  
Mesdames, Messieurs les Délégués,**

**Au nom du Gouvernement de mon pays, je voudrais vous remercier d'avoir bien voulu organiser cette réunion qui permet à la République du Congo de rencontrer les représentants des Gouvernements des pays créanciers membres du Club de Paris.**

**Je voudrais également remercier les membres de toutes les délégations présentes et les observateurs qui ont bien voulu répondre à notre invitation ainsi qu'à celle du Secrétariat.**

**Monsieur le Président,  
Mesdames, Messieurs,**

**Depuis notre dernière réunion au mois de septembre 1990, la situation de l'économie congolaise n'a cessé de se dégrader. Confronté à une aggravation des déséquilibres financiers, à une récession sévère, et à une érosion persistante de la compétitivité de l'économie congolaise, le Gouvernement a adopté un important programme d'ajustement et de relance économique et sociale. Ce programme accompagne également la décision de modification de la parité du francs CFA décidée en janvier dernier. Il a reçu l'appui du Fonds Monétaire International par un accord de confirmation portant sur la période allant de juin 1994 à juin 1995 avec l'approbation du Conseil d'Administration du Fonds le 27 mai dernier. Le Gouvernement a l'intention de demander, à une date future appropriée, la transformation de cet accord en facilité élargie triennale.**

**Ce vaste programme de redressement économique vise à promouvoir, à développer le secteur privé et à diversifier la production nationale. L'effet immédiat de la dévaluation a été pour mon pays un alourdissement considérable du poids de la dette extérieure, d'où la nécessité d'un soutien exceptionnel de la communauté financière internationale et, en premier lieu, des créanciers du Club de Paris par un allègement conséquent du service de la dette.**

**Mais avant de présenter la requête du Gouvernement, permettez-moi de vous faire part de la ferme volonté du Gouvernement d'orienter résolument le Congo vers la stabilisation économique et la normalisation des relations avec tous ses créanciers extérieurs notamment.**

**Face aux déséquilibres financiers intérieurs et extérieurs, le Congo a effectué une première tentative de redressement et a adopté des mesures d'ajustement économique et structurel à partir de 1986 avec l'appui des Institutions de Bretton Woods. Les réformes appliquées pendant la période 1986-1989 ont visé la compression des dépenses publiques, la libération progressive des prix et des tarifs, l'abolition de nombreux monopoles et la suppression des restrictions quantitatives aux importations. En outre, l'Etat a entrepris une réforme de la fonction publique à travers le ralentissement du recrutement des fonctionnaires et la liquidation d'entreprises publiques non rentables.**

**Ces efforts d'ajustement ont conduit les autorités à adopter un programme soutenu par un accord de confirmation avec le F.M.I. en août 1990. Cependant, la transition vers le multipartisme et les tensions sociales qui ont accompagné le processus de réforme politique ont interrompu l'application de nombre de ces mesures et conduit le pays à des errements. Depuis l'accord de rééchelonnement avec le Club de Paris en septembre 1990, le Congo a accumulé des arriérés extérieurs envers ses créanciers et l'encours de la dette s'est accru pour atteindre l'équivalent de 233% du PIB en 1993 alors même que le pays se trouvait coupé des sources de financement public et privé.**

**Aujourd'hui le Congo se trouve confronté à une crise économique et financière sans précédent. Au niveau intérieur, la situation budgétaire s'est détériorée sous l'effet conjugué d'une augmentation considérable en 1990 des effectifs de la fonction publique et de la masse salariale, ainsi que des subventions aux entreprises du secteur public. L'Etat a accumulé des arriérés envers les salariés, les fournisseurs, les banques locales, et les créanciers publics et privés.**

**Dans ce climat de crise financière, la récession économique s'est étendue à tout le secteur non pétrolier notamment l'agriculture, l'exploitation forestière, et y compris l'industrie, le commerce, les transports, les communications et les autres services. L'Etat ne peut plus faire face aux dépenses d'investissements publics, particulièrement l'entretien des infrastructures. Les dépenses de fonctionnement courant pour des postes aussi importants que la santé, l'éducation et la recherche-développement ne peuvent plus être assurées et le potentiel de développement économique du pays s'en est gravement affecté. A titre d'exemple, je citerais le recul du secteur productif hors pétrole de 6,7% en 1993.**



**Au niveau des finances extérieures, le service de la dette est estimé à 38% des recettes d'exportations pour 1993.**

**Monsieur le Président,  
Mesdames, Messieurs,**

**Le Congo a opté pour une expression politique pluraliste consacrée par l'adoption d'une nouvelle constitution en mars 1992. Le nouveau Gouvernement élu démocratiquement a entrepris, dès le mois de septembre 1992, un programme d'ajustement et de relance économique durable. Plus récemment, l'Assemblée nationale a approuvé le 17 janvier 1994 un Programme d'Action et de Relance Economique et Sociale. Ce programme vise à :**

- rétablir la solvabilité de l'Etat en résorbant les arriérés intérieurs et extérieurs,**
- promouvoir des réformes à court et moyen terme touchant notamment le régime fiscal-douanier, le code des investissements, le système bancaire et la restructuration du secteur public,**
- renforcer les infrastructures d'appui à la vie économique et sociale.**

**Le programme d'ajustement macro-économique retient les objectifs suivants :**

- réaliser une croissance annuelle moyenne du PIB d'au moins 5% à partir de 1995-1996 ;**
- accroître le taux d'épargne intérieure pour le porter du niveau négatif de ces trois dernières années à 5,5% du PIB en 1994, puis à 14,5% en 1996 ;**
- obtenir une forte augmentation du taux d'investissement fixe pour le faire passer de 9% du PIB en 1993 à 14% en 1996 ;**
- ramener le taux d'inflation annuel de 40% en 1994 à cause du changement de parité, à son faible niveau des années antérieures ;**
- diminuer le déficit budgétaire (dons inclus) de 22,6% du PIB à fin 1993 à 6,9% en 1996 avant de réaliser un excédent de 3,1% en 1997. L'élément central de cette diminution est le départ de 10 000 agents de la fonction publique d'ici fin 1994 appuyé par un programme dynamique de privatisation d'autant que la loi sur la privatisation vient d'être votée par l'Assemblée nationale ;**
- réduire le déficit extérieur courant, transferts publics inclus, de 18,6% du PIB en 1993 à 12,6% en 1996 et 7,9% en 1997, malgré la forte**



hausse des paiements de biens et services en 1994 due au changement de parité ;

-soutenir un effort particulier de formation des cadres de gestion et de formation continue par le renforcement des moyens dont dispose actuellement l'Institut de management de l'innovation de Pointe-Noire, celui-ci bénéficiant déjà du concours actif des plus grands spécialistes de nombreux pays développés.

De tels objectifs peuvent être atteints en raison du potentiel considérable dont dispose le Congo, pétrolier bien évidemment mais aussi minier, agricole, forestier et surtout de transit faisant du Congo le drain naturel, la voie de passage la plus appropriée pour la sous région Afrique Centrale essentiellement le Zaïre, la R.C.A., le Tchad mais aussi le Sud Soudan, le Sud-est du Cameroun et l'Est du Gabon. Ces objectifs requièrent cependant un ensemble de mesures cohérentes afin de rétablir les équilibres macro-économiques tout en favorisant les conditions propices à une relance économique durable. Les mesures d'ajustement interne se trouvent par ailleurs renforcées par la dévaluation de grande ampleur du franc CFA décidée le 12 janvier 1994. Mais il faut replacer ces objectifs dans le cadre d'immenses contraintes auxquelles doit faire face notre pays.

Permettez-moi d'attirer votre attention sur les caractéristiques suivantes de l'économie congolaise.

i) Le Gouvernement a été confronté au problème de la dette gagée. Celle-ci résulte des prêts obtenus depuis 1986 avec comme garantie la domiciliation chez les banques créancières de la redevance pétrolière correspondant aux échéances. Elle s'élève à environ 286 milliards de F CFA dont les deux-tiers (2/3) à l'égard de la Société ELF. Une négociation a permis de réduire la dette prélevée sur la redevance ELF aux seuls intérêts, le capital étant à payer à partir de 1997. Au total, le service de la dette gagée s'élève à 22 milliards de F CFA pour le premier semestre 1994. Il est clairement entendu que le Gouvernement a rompu définitivement avec cette pratique lourdement pénalisante pour la gestion économique du pays.

ii) Le second point qui mérite votre attention est celui des projections de recettes budgétaires. Les projections de recettes fiscales, douanières et pétrolières sont soumises aux aléas de la conjoncture. Le rythme très bas d'activité économique, la contraction de la consommation et la chute des importations pèsent inévitablement sur les disponibilités de l'Etat. Les dépenses quant à elles se trouvent alourdies par le règlement des arriérés, la reprise du service de la dette, et le volet social du programme de privatisation. L'assainissement budgétaire est mis en oeuvre par l'Etat congolais avec détermination mais il reste tributaire de sources de financement extérieur et d'une reprise durable de l'activité économique.

iii) Le troisième point résulte de la conjugaison des deux (2) précédents. L'effet d'entraînement économique limité du pétrole et



**l'incertitude qui pèse sur les recettes budgétaires font que le financement du gap est très tendu. Ce financement dépend bien sûr de l'issue des discussions qui nous rassemblent aujourd'hui mais aussi des apports de fonds bilatéraux nouveaux sans lesquels le bouclage reste très difficile pour ne pas dire peu certain. Le Congo a entrepris de normaliser ses relations avec la Banque Mondiale avec laquelle il vient de conclure un accord de 100 millions de dollars pour la relance économique sous financement IDA. En ce qui concerne la B.A.D., l'accord est imminent. Mais ces financements dépendent en partie de projets pour lesquels les décaissements sont éloignés dans le temps.**

**C'est pour ces raisons qu'en dépit du plan de redressement que les autorités congolaises mettent en oeuvre, l'inertie des déséquilibres passés se traduit par des besoins considérables de financement pour 1994. Avant rééchelonnement, ces besoins atteignent 1.426 milliards de F CFA, soit l'équivalent de 179% du PIB, avant de baisser à 255 milliards en 1995 et à 212 milliards en 1996, soit 21 % du PIB.**

**Le gap de financement en 1994 est surtout imputable à l'accumulation des arriérés au titre du service de la dette qui totalisent environ 1.218 milliards de F CFA à fin 1993. En outre, les arriérés intérieurs envers les salariés, les fournisseurs et les caisses de sécurité sociale et de retraite se chiffrent à 259 milliards de F CFA.**

**Au total, le poids de l'endettement extérieur représente l'équivalent de plus de 400% du PIB en 1994; ce qui fait du Congo un des pays les plus endettés au monde par tête d'habitant. Le service prévisionnel de la dette absorbe près de la moitié (1/2) des recettes annuelles d'exportations et un tiers (1/3) du PIB. Les trois quarts (3/4) de la dette extérieure contractée ou garantie par l'Etat sont des obligations envers les créanciers publics et le Club de Paris représente à lui tout seul 63% du total de cette dette.**

**Monsieur le Président,  
Mesdames, Messieurs,**

**Comme les représentants du Fonds Monétaire International et de la Banque Mondiale l'évoqueront dans leur déclaration, la stratégie de redressement économique et financier que le Gouvernement du Congo veut mener à bien, en relation avec les Institutions de Bretton Woods nécessite un nouveau rééchelonnement de la dette extérieure envers le Club de Paris.**

**A cet effet, le Congo demande aux créanciers du Club de Paris de soutenir particulièrement les efforts de stabilisation macro-économique et de relance de la croissance par un allègement exceptionnel des charges d'endettement dans le cadre de son programme d'ajustement structurel sur**



les douze (12) mois compris entre juin 1994 et juin 1995 et un traitement favorable des arriérés accumulés.

Notre requête porte en particulier sur les composantes suivantes de la dette :

-les prêts gouvernementaux et les prêts garantis par les organismes de crédit à l'exportation signés avant le 1er janvier 1986, que ces prêts aient été faits à l'Etat congolais ou garantis par lui ;

-le service résultant des accords de consolidation passés jusqu'à et y compris l'accord de septembre 1990 ;

-les échéances en principal et en intérêts des dettes mentionnées ci-dessus et tombant dans la période de consolidation de juin 1994 à juin 1995 ;

-les arriérés sur les échéances en principal et en intérêts à la fin juin 1994, y compris sur la dette "post date butoir", ainsi que les intérêts de retard.

Le gouvernement souhaite que lui soit accordé un rééchelonnement de long terme, sur le principe des termes au moins aussi favorables que ceux dits de HOUSTON renforcé, afin que le programme négocié avec le F.M.I. soit dûment financé et que le service de la dette soit compatible avec les ressources prévisionnelles du pays. Pour ce qui est des arriérés, mon pays souhaite un traitement spécifique. Outre le rééchelonnement des arriérés des prêts signés avant le 1er janvier 1986 et ceux portant sur les précédentes consolidations, il me paraît essentiel qu'un réaménagement sous forme d'un différé des arriérés "post date butoir" soit opéré, sur une période de trois ans, en vue de sécuriser et de consolider les acquis du programme.

Compte tenu du contexte très particulier de ce Club, le Congo demande aux pays créanciers de montrer leur détermination à soutenir son programme d'ajustement par l'annulation des intérêts de retard sur les arriérés accumulés à fin juin 1994.

De plus, le Gouvernement congolais demande que lui soit accordée une clause élargie de conversion de dette, jusqu'à 20 millions de dollars des Etats-Unis d'Amérique sur les crédits garantis afin d'accompagner les mesures de soutien aux secteurs de la santé, de l'éducation et de l'environnement qui risquent d'être pénalisés par la rigueur de l'ajustement conjuguée avec les contraintes des effets de la dévaluation de 50% du francs CFA.

Les autorités congolaises sont particulièrement attachées à parvenir à la conclusion d'accords bilatéraux de consolidation avec chacun des créanciers sur le modèle des initiatives récentes prises par la France en faveur de la réduction du stock d'endettement.



**Le Gouvernement présentera une requête similaire de réduction de sa dette extérieure aux créanciers officiels bilatéraux ainsi qu'aux banques commerciales du Club de Londres et aux autres créanciers privés dans un proche avenir.**

**Monsieur le Président,  
Mesdames, Messieurs,**

**Comme l'illustre les projections financières du Fonds Monétaire International et de la Banque Mondiale, le redressement économique doit être le produit d'une combinaison optimale d'ajustement et de financement. Si le puits de l'endettement continue à grever les perspectives de reprise d'un développement économique durable, le Gouvernement ne pourra pas assurer la crédibilité du programme envers les agents économiques nationaux et les partenaires étrangers. Bien que le Congo apprécie sa récente éligibilité aux crédits concessionnels de l'A.I.D., cette situation reflète la profonde dégradation économique et le recul du revenu national per capita. Comme vous le constatez, le succès des mesures engagées par le Gouvernement congolais dépend largement du soutien financier des créanciers du Club de Paris.**

**Pour ne pas contrarier d'une part les efforts encours de mise en ordre de l'économie menés par le Gouvernement et d'autre part, la trêve sociale récemment négociée avec les partenaires sociaux qui ont accepté de consentir de lourds sacrifices, l'appui attendu du Club de Paris devrait être à la mesure de l'ampleur de nos difficultés financières actuelles.**

**Tout effort d'allégement de notre dette extérieure devrait tenir compte de la double contrainte de nos capacités prévisionnelles réelles de remboursement et de la nécessité légitime de soutenir progressivement un effort raisonnable d'investissements prioritaires dans les domaines qui contribuent plus amplement à préserver le niveau de vie des populations.**

**Trois priorités s'imposent à nous :**

**-la réhabilitation et le renforcement des infrastructures, particulièrement la communication, l'eau, l'électricité et le développement industriel;**

**-le développement agricole, afin d'enrayer le déficit alimentaire chronique actuel par l'extension des cultures vivrières locales, l'organisation et la promotion des marchés d'intérêt régional grâce à la décentralisation ;**

**-l'amélioration de la condition paysanne et de l'habitat rural; permettez-moi de préciser que le programme de l'habitat du Congo a été reconnu comme le meilleur d'Afrique.**

L'année 1994 constitue un tournant majeur dans l'évolution de l'économie de mon pays. La décision historique de dévaluation du francs CFA a servi de base au renforcement de notre stratégie d'ajustement. Elle comporte des risques et pose un défi à l'économie de mon pays. La crédibilité et la viabilité du programme de redressement ont un double volet :

- sur le plan domestique, le Gouvernement est déterminé à réunir toutes les conditions nécessaires à la réalisation des objectifs visés ;

- sur le plan extérieur, le soutien financier des bailleurs de fonds multilatéraux et bilatéraux sera tout aussi déterminant pour démontrer que l'ajustement conduit à la croissance économique durable et équitable, et non pas à une récession aux conséquences sociales et politiques désastreuses.

Compte tenu des sérieuses résistances sociales auxquelles l'application du programme est confronté et des enjeux économiques et politiques de la nouvelle situation, mon pays souhaite obtenir un traitement exceptionnel de sa dette extérieure pour le soutien à sa nouvelle stratégie d'ajustement global. Et c'est dans cet esprit, et pour souligner la volonté du Gouvernement congolais de normaliser ses relations de long-terme avec les créanciers du Club de Paris, que le Congo a procédé à un paiement sur les arriérés avant même la tenue de cette réunion.

L'accord de confirmation approuvé le 27 mai dernier par le Conseil d'Administration du Fonds Monétaire International ne tenant que sur un an, l'accession du Congo à la Facilité d'Ajustement Structurel Renforcée (F.A.S.R.) que le Gouvernement se propose de demander en temps opportun me parait être une logique incontournable, compte tenu de l'importance et de la densité des mesures d'ajustement à soutenir sur une longue période.

Je vous remercie Monsieur le Président, Mesdames et Messieurs les délégués de l'attention toute particulière que vous voudrez bien porter à la requête de mon pays. L'effort du Club de Paris nous aidera sans aucun doute à consolider la stabilité politique actuelle. La situation de paix sociale dans une conjoncture difficile est étroitement liée à l'amélioration de la situation économique.

Je vous renouvelle encore mes remerciements.