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OFFICE MEMORANDUM

DATE: March 11, 1996

TO: Ms. Nawal Kamel, Division Chief, IECIF

FROM: Fred Kilby, Economic Advisor, IECIF *FK*

EXTENSION: 80434

SUBJECT: **Back to Office Report: Paris Club Meeting - February 27 - March 1, 1996**

1. The principal business this month were the rescheduling meetings for Honduras and Zambia and a meeting with the Russian Delegation. The tour d'horizon covered **Brazil, Bulgaria, Chad, Cuba, Egypt, Ghana, Guatemala, Macedonia, Sao Tome and Principe, Sierra Leone, Slovenia, Syria, and Vietnam.**

Zambia

2. The Finance Minister, Mr. Penza, made an effective presentation stressing the commitment of the authorities to the reform program and their desire to restore relations with creditors. He emphasized the great difficulties Zambia faced due to its heavy debt burden, but noted that in contrast to earlier reschedulings, Zambia had made timely payments to its creditors since the 1992 agreement. He noted that due to its low level of reserves and precarious balance of payments position, Zambia could not manage the higher payment profile associated with a stock of debt operation and asked for the maximum possible debt service relief.

3. The creditors responded positively to Zambia's request, providing a three-year flow rescheduling agreement on Naples terms debts originally contracted before 1983. Five creditors chose to offer Zambia a reduction of 67% in principal and interest payments with the balance rescheduled over 23 years. Four creditors chose to reschedule amounts falling due over 33 years at concessional interest rates, with the objective of reducing payments by 67% in net present value terms. Altogether the agreement provides Zambia with debt relief amounting to approximately \$455 million during 1996-98. Creditors also agreed, in principle, to consider a stock of debt operation in three years' time if Zambia meets its obligations to creditors and has an arrangement with the IMF.

4. However, one creditor was concerned that the Zambian program with the Fund was off track and wished to send a message to the authorities that it needed to take corrective action. Consequently, there was an exchange of side letters which require the Minister of Finance to certify that the next quarterly review of the program is satisfactory before the agreement can enter into force. This is a new departure for the Paris Club which has previously only required the approval of an IMF arrangement for this purpose. In addition, creditors asked Zambia to set

up and maintain a \$2.4 million SDR escrow account with the BIS to cover estimated monthly payments falling due to bilateral creditors and their agencies.

Honduras

5. Honduras received a one-year flow rescheduling on Naples Terms for debt service payments falling due on debts incurred prior to June 1990. Three creditors opted to provide Honduras with a 50 % reduction in payments on debt service with the balance rescheduled over 23 years. Five creditors elected to reschedule payments over 23 years at interest rates that would provide a 50% reduction in their net present value. In addition, creditors agreed to reschedule principal payments falling due under the September 1990 consolidation agreement over 10 years on concessional terms. Altogether, the agreement provides Honduras with \$44 million of debt relief during 1996. The creditors also agreed, in principle, to consider a stock of debt operation, and after a new ESAF has been approved by the Fund Board if Honduras meets its obligations to creditors and implements the third annual arrangement under the ESAF.

6. The negotiations were protracted because Honduras initially sought a 67 % stock reduction agreement. Creditors pointed out that on per capita income grounds, Honduras was only eligible for a 50% reduction in debt or debt service. It had also not yet met the three-year performance period required for a stock of debt operations, and creditors were only prepared to discuss the financing arrangements for the Third Annual ESAF arrangement at this time. Eventually, Honduras accepted this situation, and agreed to the flow rescheduling. Creditors asked Honduras to set up and maintain a \$4.5 million escrow account with the Federal Reserve to meet payments falling due to bilateral creditors and their agencies.

Russia

7. At the meeting with the Russian delegation, Mr. Kasyanov made a presentation which contrasted two alternative debt repayment scenarios. The first scenario showed a projection of payments falling due under the assumption of what he termed a limited rescheduling of eligible interest and principal payments falling due over the EFF period. The second scenario showed the implications of what was termed a comprehensive rescheduling of both pre and post cut off debts and a stock rescheduling of post EFF maturities.

8. Mr. Kasyanov noted that Russia had four objectives - rescheduling the entire stock of debt, a gradual increase in the total amount of debt service payable to all creditors over the next 10 years, a 25-year rescheduling and the same repayment terms for all categories of debt. Mr. Kasyanov pointed out that the London Club creditors have already agreed to terms consistent with Russia's objectives.

9. Mr. Kasyanov also stated that he would welcome the opportunity to discuss discharging a portion of Russia's debts to the Paris Club by assigning part of its claims on developing country creditors. This would, in effect, be a "debt for debt swap."

10. Creditors asked for clarification on some points of Mr. Kasyanov's proposal, but did not enter into negotiations with the Russian authorities. They subsequently decided to hold a further

technical meeting, for creditors only, next month, with a view to holding negotiations with the Russian authorities following the IMF Board approval of the ESAF.

Next Meeting

11. The March (25 - 28) meeting is expected to reschedule debts for **Yemen** and **Sierra Leone** and to provide a forum for technical discussions among creditors to **Russia**.

Attachments

Distribution: Messrs./Mmes (w/attachments) Baird (DECVP); Rueda-Sabater (FRMRO); Wilton (FRMRS); Reyes, (IECDD); Rosenberg (AFRVP); Katz (AFTPS); Guerard (AF4DR); Marshall, Kafka (AF1); Rogerson, Chevallier (AF3); Lafourcade, Okonjo-Iweala, (AF4); Sarbib, Fredriksen (AF5); Madavo, Cox (EA1) Poortman, (EC1); Wallich, Noel (EC2); Huang, Mitra (EC3); Sud, Kanaan (MN2); Nankani, (LA1); Segura, Dowsett-Coirolo (LA2) Isenman, Morrow, Nouvel (LA3), Institutional ISC.

cc: Messrs./Mmes. (w/o attachments): Kaji, Sandström, Frank, Koch-Weser, Einhorn, Lomax, (EXC); Bruno (DECVP); Ahmed (IECDR); Jaycox, Kanbur (AFRVP); Cheetham, Walton, (EAPVP); Dervis, Page (MNAV); Wood, Salop (SASVP); Linn, Selowsky (ECAVP); Burki, Edwards (LACVP); Fukui (CFSVP); Wilson, (FRSDR); Donovan (FRMDR); Lav (FRMRO); Pfeffermann (CEIED); Malloch Brown (EXTDR); Hudes (LEGMN); El Maaroufi, Handwerger, (Field Office, Paris); Jun, Trucco, Powell (IECIF); IEC Division Chiefs.



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Speech of Mr Kasyanov to the Paris Club on 28 February 1996

Introduction

Mr Chairman, Ladies and Gentleman:

I would like to start by expressing my hope that today's working session of the Paris Club will enable both sides to exchange views on a number of complex issues which concern Russia's request for a comprehensive rescheduling that definitively resolves our external debt problem.

During my speech today, I will first briefly review the Government's economic policy and then discuss the nature of our external debt problem. I will also expand upon the Government's objectives in a comprehensive rescheduling and discuss the financial and economic consequences of alternative rescheduling scenarios. I would then like to spend some time answering any questions you may have concerning our request for a comprehensive rescheduling. My hope is that this will lead us into a more general discussion on the structure and form of a definitive restructuring that could be referred back to our respective governments for their consideration.

1995 Paris Club Agreement

I would like to begin by reporting on the progress made by the Government since our last meeting in regularising the external debts we assumed from the Government of the former Soviet Union.

First of all, I am pleased to report that, as of today, Russia has agreed in principle on the texts of all the bilateral agreements implementing our 1995 Paris Club Agreement, with one exception. I am also pleased to report that substantially all the bilateral agreements have now been signed.

You will recall that a crucial element in all our previous negotiations has been the Government's commitment to honour the agreements reached with you. I am pleased to report that the Government continues to fulfil this commitment. All credits signed since 1 January 1992 have been serviced in full. Payments due under the existing Paris Club agreements have also been serviced in full, following conclusion of bilateral agreements except for the principal repayment due on 1 January 1996 under our 1993 Agreement. As you know, in December 1995 the Government requested that the 1 January 1996 principal repayment should be deferred provisionally, pending the conclusion of the comprehensive rescheduling agreement now under discussion.

I would like to add that, at the time of the 1995 Paris Club Agreement, the Government expected that debt payments to all external creditors would amount to approximately \$6.8 billion in 1995. I can tell you today that the whole of \$6.8 billion was

allocated from the 1995 federal budget for external debt payments. Of this amount, approximately \$6.4 billion was paid in 1995 to our external creditors, including approximately \$3.7 billion to members of the Paris Club. A further \$0.4 billion was committed from the budget for external debt service payments at the end of 1995, despite an extremely difficult budgetary situation.

Status of negotiations with other creditors

I would now like to make some comments on the negotiations with our other creditors.

As you are aware, we reached an agreement in principle with Vnesheconombank's Bank Advisory Committee (BAC) shortly after our last meeting. You will recall that the principal elements of this agreement are: first, a rescheduling of the entire stock of commercial bank debt, including all future maturities, over a 25 year period beginning from December 1995; second, a grace period of 7 years with the first principal repayment falling due at the end of 2002; third, the capitalisation of a portion of moratorium interest accruing on the restructured principal during the grace period; and fourth, the application of the same repayment schedule to pre and post cut-off date debt and short term debt. (I should point out that I use the expression post cut-off date debt to describe maturities relating to contracts signed in 1991).

Russia also reached agreement with the BAC on the timing of the \$1.5 billion interest downpayment to be made in respect of the 1994 and 1995 interest arrears. Under this agreement, \$200 million was paid into an account held in trust at the Bank of England in the final months of 1995. I am pleased to report that a further \$300 million has been transferred to this account since the beginning of 1996. The remaining \$1 billion will be transferred to the Bank of England or paid directly to creditors during the course of 1996. The Government now expects that the closing of the London Club rescheduling arrangements will take place this summer.

Concerning official creditors who are not members of the Paris Club, I can confirm that it is the Government's intention to conclude comprehensive rescheduling agreements with all of these creditors.

Finally, I am pleased to report that meetings have begun with our trade suppliers to complete the formal reconciliation process. This will enable us to commence negotiation of a trade supplier rescheduling on comparable terms.

Economic Background

I would now like to turn to several recent successful developments in the economy, which I should emphasise have not been achieved without adverse social consequences. I will start with our economic performance under the one-year standby arrangement with the IMF.

The Government and Central Bank maintained a tight control over the money supply throughout 1995. Use of direct credits from the Central Bank to finance the budget deficit was ended. The Government instead financed the deficit entirely through foreign borrowings and the issue of rouble denominated securities. A strict fiscal policy was

also maintained throughout the year. As a result, the federal budget deficit declined to around 5% of GDP in 1995, compared with 11.4% in 1994, despite disappointing revenues. This was mostly achieved by means of a considerable reduction in real expenditure, an issue which I will discuss in detail later.

I am pleased to report that, as a result of the successful implementation of our monetary and fiscal policies, inflation fell to a monthly rate of 3.2% by the end of 1995. This is the lowest recorded monthly rate of inflation since the dissolution of the Soviet Union.

Our reserve position also improved in 1995. By the end of year, our gross international reserves stood at \$17.3 billion, while our net international reserves totalled \$7.7 billion. I wish to make two points on this subject. First, the Government and the Central Bank believe strongly that the existing level of reserves has been crucial to the Government's efforts to stabilise the rouble and maintain the exchange rate corridor. Second, the current amount of reserves, although large in absolute terms, in fact only represent around 2.5 months of imports. The Government's intention is to increase reserves to a level of approximately 3 months of imports. This is a challenging target in light of the expected increase in Russia's imports. Even this target, however, would be significantly below the 5 months of imports thought to be appropriate for stabilising economies.

In concluding the review of our economic performance in 1995, I wish to stress that the Government satisfied each of the performance criteria set under the IMF standby arrangement.

Current Economic Policy

Let me now turn to our current economic policy.

With the support of the IMF, the Government has adopted a comprehensive medium term economic reform programme designed to build upon our economic achievements to date. The purpose of the programme is to consolidate macroeconomic stabilisation and accelerate the transformation to a fully market-based system. This will be achieved by implementing further macroeconomic reforms, by developing the institutional and legal framework required by a market economy, and by introducing further structural reforms. I should add that the programme envisages average monthly inflation of 1.9% in 1996 and a monthly inflation rate of 1% by the end of 1996, with further reductions in subsequent years according to IMF projections.

In respect of fiscal policy, the principal elements of the programme include a reduction in the budget deficit to around 4% of GDP in 1996 and to 2.5% of GDP in 1998, and improvements in the tax system and its administration in order to broaden the tax base. I should add that the 1996 budget was approved by Parliament at the beginning of December 1995 and became federal law at the end of December. This is the first time that a federal budget has been passed before the start of a new fiscal year since the dissolution of the Soviet Union.

Regarding money and credit, the Government and the Central Bank will maintain a strict policy. The Government will continue to refrain from using direct credits from the Central Bank to finance the budget deficit, and will adopt measures designed to

expand non-inflationary market based mechanisms for financing the budget deficit. An important step in this direction was the enhanced access to the GKO market recently granted to foreign investors. In addition, measures are to be introduced to strengthen the banking system and improve the functioning of the domestic money markets.

The Government's budgetary constraints

I would now like to turn to the need for a comprehensive rescheduling in light of the Government's budgetary constraints. I will start by commenting on these constraints.

1) The first constraint concerns the availability of revenues. In 1995, the revenues of the federal government represented around 10.4% of GDP and, according to IMF projections, are forecast to increase to only around 14% of GDP in 1999 and 15% by 2002, compared with an average of just over 30% of GDP in OECD countries. This is a fundamental limit on the Government's ability to increase its debt servicing capacity over the medium term.

2) The second constraint concerns the need to reduce the budget deficit during the EFF period. According to the IMF's projections, the federal budget deficit is projected to fall from around 5% of GDP in 1995 to 2.2% of GDP in 1999. As a result, the forecast increase in federal revenues will mostly be used to reduce the budget deficit.

3) The third constraint concerns future federal expenditure. Because of the need to use any increase in federal revenues to finance a reduction in the budgetary deficit, there is a limited ability to increase federal budget expenditure. This is reflected in the IMF's projection of federal expenditure which is forecast to increase from 15.6% of GDP in 1995 to only 16.6% of GDP by 2001.

4) The final constraint concerns the political and social consequences of the collapse in GDP since the dissolution of the Soviet Union, which resulted in a 45% reduction in expenditure between 1992 and 1995 in real terms. This in turn led to substantial reductions in virtually all items of federal expenditure other than external and domestic debt, which increased significantly during this period. As a result, the ability to further compress expenditure is now exhausted.

To sum up, one of the key elements of Russia's reform programme must be to increase federal budgetary revenues and then to apply these funds to two areas of immediate importance: first, to the reduction of the budget deficit in order to assist macroeconomic stabilisation, and, second, to the funding of social services in order to preserve political and social stability. It is with these needs in mind that we have proposed a comprehensive rescheduling that will enable Russia to put its economy on a politically sound footing before committing the Government to heavy debt service payments. To attempt both tasks at once would, I am afraid, threaten the Government's reform efforts and probably require Russia to return to the Paris Club for further reschedulings.

Budgetary debt service allocation

Turning to the Government's actual budgetary allocation for external debt service, I can confirm that an amount of \$8.5 billion has been specifically allocated to

external debt service in the 1996 budget. I would like to stress that this represents a 25% increase over the amount allocated in the 1995 budget and is equivalent to over 10% of federal expenditure.

In view of the constraints on our budgetary position, the Government continues to believe that it would only be politically and economically feasible to allocate a similar amount in the 1997 budget, and to increase this amount gradually over the following years.

To increase your understanding of the reasons behind this decision, I would ask you to keep in mind the following points:

First, in addition to the cost of servicing our external debt, a portion of federal expenditure has to be allocated for servicing the Government's \$28 billion of domestic debt. Interest on this debt represented 13% of federal expenditure in 1995. As a result, debt service including interest on domestic debt was the largest expenditure item in 1995, and this is without taking into account any principal repayments in respect of the domestic debt.

Second, external debt service and domestic interest payments will be by far the largest category of expenditure in 1996 and 1997, using the Government's projection of external debt service. I wish to emphasise this point, as it explains why we believe that it is necessary to maintain external debt service in 1997 at around the 1996 level. I should also point out that, from 1998 onwards, projected expenditure on debt service will continue to be greater than any other item in the budget.

Finally, and most importantly, I wish to stress that our debt service projections are based on the assumption that our Paris Club debts are rescheduled according to the objectives set out during our last meeting. I would now ask you to consider the consequences on federal expenditure if a Paris Club rescheduling were limited only to a rescheduling of eligible maturities during the EFF period and a reprofiling of principal due in respect of post cut-off date and short term debt under the 1993 Agreement, with no capitalisation of moratorium interest.

In this case, the Government's projection of external debt service payments would need to be substantially increased, with corresponding reductions in other expenditure items. This would have serious adverse social and political consequences. For example, in this case, the Government estimates that in 1999 external debt service would be some \$6.9 billion higher than the Government's projection of \$12.6 billion. To put this figure in perspective, the estimated \$6.9 billion increase in external debt service would be equivalent to more than the total amount of all projected federal expenditure on education and health services in 1999.

I wish to make one final comment on Russia's future debt service. According to the Government's projection, nominal US\$ denominated GDP is forecast to grow at an average compound rate of around 12.5% per year over the next 7 years. I need hardly say that this is an extremely ambitious target. I mention this because the Government's projection of external debt service payments assumes the same rate of growth over this period.

I should add that it is easy to project constant GDP growth, even though we all know economies rarely grow at a constant rate. By contrast, Russia's Paris Club agreement will commit us to a payment schedule that does not take account of fluctuations in economic performance. This leads me to stress that our projected rate of growth for external debt service is already very ambitious.

Rescheduling Scenario 1

I should now like to turn to the question of the appropriate long term treatment of our external debt.

I would like to begin this topic by confirming that the Government's objective in seeking a comprehensive rescheduling is to arrive at a debt servicing requirement that is consistent with our debt servicing capacity. You will find, now as before, that Russia will reject unrealistic rescheduling terms, but will service its rescheduled debts in full once a realistic agreement has been concluded.

To understand the financial difficulties that the Government would face if we were to agree to a limited rescheduling of our Paris Club debts, we have prepared a rescheduling scenario that shows the financial implications of only rescheduling eligible principal and interest during the period of the EFF, paying 100% of moratorium interest from 1996 onwards, and limiting the rescheduling of previously rescheduled debt to a reprofiling of all the principal maturities falling due in respect of post cut-off date, short term debt and deferred moratorium interest under our 1993 rescheduling agreement.

I would like to make the following points concerning this scenario. First, it shows that in 1996, the Government would be required to pay approximately \$9.5 billion in external debt service, an amount significantly in excess of the budgetary allocation. Second, it shows total debt service of over \$10 billion in 1997 and more than \$11 billion in 1998, which is again inconsistent with the Government's fiscal objectives in the next few years.

Most importantly, the scenario shows that total debt service to all creditors would rise rapidly to more than \$19 billion by 1999. This would represent a 30% compound average increase in Russia's debt service from 1995. In addition to being far in excess of the Government's debt servicing capacity, a rescheduling of the kind illustrated in Scenario 1 would be inconsistent with the undertakings given by the Paris Club in June 1995 because it would force Russia to return to the Paris Club to seek a further rescheduling of its official debts and would not allow Russia to regain access to the international capital markets.

In preparing this scenario, I would point out that we have not made any assumption as to foreign exchange rates, even though any weakening of the dollar tends to increase Russia's external debt service. This scenario thus potentially underestimates Russia's actual future service. I ask that you keep Russia's foreign exchange exposure in mind when considering limited rescheduling scenarios.

The Government's objectives in a comprehensive rescheduling

In view of the political and financial problems which would confront the Government if a limited rescheduling were to be implemented, I would like to make the following comments on Russia's objectives in a comprehensive rescheduling and how these objectives could be accomplished.

1) You will recall that our first objective is to reschedule the entire stock of debt owed to the Paris Club including both previously rescheduled debt and all future maturities.

We would wish to discuss with you today the practical means of achieving this objective. In the Government's view, we believe it could be accomplished by means of a rescheduling of the pre and post cut-off date debt falling due during the period covered by the proposed EFF and a rescheduling of the entire stock of previously rescheduled debt, plus a rescheduling of the entire stock of all future contractual maturities falling due after the EFF period. The Government would envisage that the debt stock rescheduling for the contractual maturities would come into effect in 1999 following satisfactory implementation of the EFF programme.

2) Our second objective is to ensure there is a gradual increase in the total amount of debt service payable to all creditors over the next 10 years.

In view of the debt service due in respect of new Russian debt, we would want to discuss with you ways in which the Soviet-era obligations that we have assumed could be rescheduled to achieve this objective. We believe that this would require a grace period of 7 years with the first principal payment date at the end of 2002, a partial capitalisation of moratorium interest during most of the grace period and principal repayments beginning at a relatively modest level and increasing gradually over time.

3) Our third objective is to achieve a rescheduling over 25 years.

We are aware that this period is longer than the usual Paris Club repayment terms and would wish to discuss with you a payment structure which results in an average life that would be consistent with the Government's objective of gradually increasing external debt service to all creditors over the next 10 years.

4) Our fourth objective is to apply the same repayment terms to all categories of debt.

In view of the different repayment terms granted in respect of the various categories of debt in previous reschedulings, we would wish to discuss with you how to end the distinctions between the rescheduling terms for pre cut-off date, post cut-off date, short term debt and deferred moratorium interest.

I would ask you to keep in mind that in setting these objectives the Government is seeking to achieve both a realistic long term debt servicing requirement that we are confident we can honour and a breathing space in which to complete the reform process. A rescheduling that does not achieve these results would undermine investor

confidence and exacerbate the already difficult political and social consequences of the reform process.

I would also point out that terms consistent with our rescheduling objectives have already been agreed with Russia's London Club creditors. We believe that this agreement is an important expression of the rescheduling terms that the market considers necessary for Russia to avoid future reschedulings and regain access to the international capital markets.

Rescheduling Scenario 2

To help you understand how our medium term debt service profile could be transformed if the Government achieved its objectives, we have prepared a second scenario, accompanied by an illustrative repayment schedule. The scenario assumes that all categories of Paris Club debt, including both previously rescheduled debt and future maturities, are rescheduled over 25 years with the first principal payment occurring at the end of 2002. This scenario also illustrates the effect of gradually increasing external debt service payments to \$15.9 billion in 2002 and then to a peak of \$18.2 billion in 2008.

I want to stress that this scenario and the accompanying repayment schedule illustrate only one way of achieving the Government's objectives. We would be pleased to discuss alternative ways of achieving these objectives.

I would also like to use the opportunity of this meeting to discuss with you an additional approach to Russia's future debt service. As you know, Russia is owed very large sums by a number of developing country debtors. We would welcome an opportunity to discuss with you a proposal to discharge a portion of the debts under discussion today by assigning to our Paris Club creditors part of Russia's claims on its developing country debtors.

Conclusion

I wish to conclude by recalling the Chairman of the Paris Club's recommendation in November 1995 that negotiations should move forward quickly. Accordingly, I hope that today we can commence a general discussion on the structure and form of a possible comprehensive rescheduling that could be referred back to our respective governments for their decision.

I would ask you to keep in mind that the agreed objective of our discussions must be a comprehensive rescheduling that supports macroeconomic stability, provides Russia with a definitive exit from further reschedulings and helps Russia regain access to the international capital markets.

I would like to encourage you to ask any questions you may have concerning our request for a comprehensive rescheduling.

Thank you.

Assumptions

Scenario 1

1) Maturities to be rescheduled

100% of contractual principal and interest falling due in 1996, 1997 and 1998 would be rescheduled on an annual basis under a multi-year rescheduling agreement (MYRA).

2) Moratorium interest

100% of moratorium interest would be payable throughout the period of the rescheduling.

3) Repayment terms

i) 1993 Paris Club agreement

The terms agreed in 1993 would remain unchanged, except for a re-profiling of previously rescheduled short term, post cut off date debt and deferred moratorium interest. The first principal payment date for both categories of debt would be deferred until the end of 1999. The post cut off date debt would be repaid using the post cut-off date blended repayment schedule. The short term debt and deferred moratorium interest would be repaid in 10 semi-annual instalments.

ii) 1994 Paris Club agreement

The terms agreed in 1994 would remain unchanged.

iii) 1995 Paris Club agreement

The terms agreed in 1995 would remain unchanged.

iv) Maturities falling due in 1996, 1997 and 1998

The first principal payment date would be in the second half of 1999. The pre cut-off date debt is assumed to be repaid using the pre cut-off date blended repayment schedule. The post cut-off date debt is assumed to be repaid using the post cut-off date blended repayment schedule.

Scenario 1

Preliminary	(US\$ billions)	PROJECTION OF EXTERNAL DEBT SERVICE 1996 - 2020													
		(based on debt outstanding on 1 July 1995)													
		19 96		19 97		19 98		19 99		20 00		20 01		20 02	
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	
A) Russian Debt															
1) Multilateral Debt															
a) Debt outstanding on 1/7/95	0.8	0.4	0.6	0.3	0.9	0.3	1.5	0.2	1.1	0.2	0.8	0.1	0.6	0.1	
b) Drawings in 2nd half 1995	0.0	0.2	0.0	0.3	0.2	0.3	1.7	0.3	1.5	0.1	0.1	0.1	0.1	0.1	
c) Drawings in 1996 and beyond	0.0	0.1	0.0	0.5	0.0	0.9	0.0	1.0	0.3	1.1	1.0	1.0	1.7	0.9	
	0.8	0.7	0.6	1.2	1.1	1.5	3.2	1.5	2.8	1.3	1.7	1.2	2.4	1.1	
2) Bilateral Debt															
a) Debt outstanding on 1/7/95	1.0	0.3	0.7	0.3	0.7	0.2	0.8	0.2	0.7	0.2	0.8	0.1	0.5	0.1	
b) Drawings in 2nd half 1995	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.0	0.1	0.0	
c) Drawings in 1996 and beyond	0.0	0.2	1.1	0.5	0.6	0.6	0.7	0.8	1.3	1.0	2.3	1.1	1.9	1.1	
	1.2	0.6	1.9	1.1	1.4	0.9	1.6	1.1	2.1	1.2	3.0	1.2	2.6	1.2	
3) Bonds															
	1.1	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	
Total debt service on Russian debt	3.0	1.4	2.6	2.3	2.7	2.4	4.9	2.6	5.0	2.6	4.7	2.6	5.0	2.3	
	<i>Principal + Interest</i>														
			4.4		4.9		6.1		7.6		7.6		7.2		7.3
B) Former Soviet Union Debt															
4) 1993 Paris Club rescheduling															
a) Pre cut-off date debt	0.0	0.5	0.0	0.5	0.0	0.5	1.5	0.5	1.5	0.4	1.5	0.3	1.5	0.2	
b) Post cut-off date debt	0.0	0.3	0.0	0.4	0.0	0.4	0.2	0.4	0.4	0.4	0.5	0.4	0.8	0.3	
c) Short term debt	0.0	0.1	0.0	0.2	0.0	0.2	0.2	0.2	0.5	0.1	0.5	0.1	0.5	0.1	
d) Deferred interest	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	
	0.0	0.9	0.0	1.1	0.0	1.1	2.0	1.1	2.5	0.9	2.5	0.7	2.6	0.6	
5) 1994 Paris Club rescheduling															
a) Pre cut-off date debt	0.0	0.2	0.0	0.2	0.1	0.2	0.1	0.2	0.1	0.2	0.1	0.2	0.1	0.1	
b) Post cut-off date debt	0.0	0.3	0.2	0.3	0.3	0.3	0.4	0.3	0.5	0.2	0.5	0.2	0.6	0.2	
c) Short term debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
d) Deferred interest	0.0	0.0	0.1	0.1	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	
	0.0	0.5	0.3	0.5	0.6	0.5	0.6	0.5	0.7	0.4	0.8	0.4	0.8	0.3	
6) 1995 Paris Club rescheduling															
a) Pre cut-off date debt	0.0	0.2	0.0	0.2	0.0	0.2	0.1	0.2	0.1	0.2	0.1	0.2	0.1	0.2	
b) Post cut-off date debt	0.0	0.1	0.0	0.1	0.1	0.2	0.2	0.1	0.2	0.1	0.2	0.1	0.2	0.1	
c) Previously rescheduled short term debt	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	
d) Previously rescheduled PCOD debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
e) Deferred interest	0.0	0.0	0.0	0.1	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	
	0.0	0.5	0.1	0.5	0.3	0.5	0.5	0.4	0.5	0.4	0.8	0.3	0.8	0.3	
7) 1996/97/98 Paris Club rescheduling (MYRA)															
a) Pre cut-off date debt	0.0	0.1	0.0	0.2	0.0	0.3	0.0	0.3	0.1	0.3	0.1	0.3	0.2	0.3	
b) Post cut-off date debt	0.0	0.1	0.0	0.2	0.0	0.3	0.2	0.3	0.3	0.3	0.4	0.3	0.5	0.3	
	0.0	0.2	0.0	0.4	0.0	0.6	0.2	0.7	0.5	0.7	0.5	0.6	0.6	0.6	
8) Contractual maturities															
	0.0	0.0	0.0	0.0	0.0	0.0	1.8	0.3	1.8	0.2	1.4	0.1	0.8	0.0	
Total debt service on debt eligible for Paris Club rescheduling	0.0	2.0	0.3	2.6	0.9	2.7	6.1	3.0	6.0	2.6	6.8	2.2	6.6	1.8	
			2.0		2.8		3.6		8.1		8.6		8.0		7.3
9) Non Paris Club debt stock rescheduling															
a) Pre cut-off date debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
b) Post cut-off date debt	0.0	0.3	0.0	0.3	0.0	0.3	0.1	0.3	0.3	0.3	0.3	0.2	0.4	0.2	
c) Deferred interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	0.0	0.3	0.0	0.3	0.0	0.3	0.2	0.3	0.3	0.3	0.4	0.3	0.4	0.2	
10) COMECON debt															
	0.0	0.2	0.0	0.2	0.0	0.2	1.0	0.0	1.0	0.0	1.0	0.0	1.0	0.0	
11) Special case rescheduling															
	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
12) London Club rescheduling															
a) 1984/85 interest downpayment	0.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
b) Affected debt	0.0	0.2	0.0	0.7	0.0	0.9	0.0	1.0	0.0	1.1	0.0	1.5	0.2	1.9	
c) Past due interest notes	0.0	0.2	0.0	0.6	0.0	0.7	0.0	0.8	0.0	0.9	0.0	0.9	0.1	1.0	
d) Specified debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	
	0.0	1.8	0.0	1.4	0.0	1.7	0.0	1.8	0.0	2.1	0.0	2.5	0.4	2.9	
13) Trade Suppliers															
	0.0	0.3	0.0	0.4	0.0	0.4	0.0	0.4	0.1	0.3	0.1	0.3	0.2	0.3	
14) Provision for non-VEB debt															
	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	
Total debt service on former Soviet Union debt	0.2	4.9	0.4	4.8	0.9	5.3	6.4	6.6	7.6	6.4	7.4	6.4	7.6	6.3	
			6.0		6.2		6.2		12.0		12.9		12.7		12.8
Total Debt Service	3.2	6.3	2.8	7.2	3.6	7.7	11.2	8.2	12.6	7.9	12.1	7.8	12.5	7.6	
	<i>Principal + Interest</i>														
			9.6		10.1		11.3		19.5		20.4		19.9		20.1
Average percentage of moratorium interest to be paid															
			100%		100%		100%		100%		100%		100%		100%
Memoandum item:															
Debt service on Ministry of Finance hard currency denominated bonds	1.5	0.2	0.0	0.2	0.0	0.2	1.3	0.2	0.0	0.1	0.0	0.1	0.0	0.1	
			1.7		0.2		0.2		1.5		0.1		0.1		0.1

Scenario 1

PROJECTION OF EXTERNAL DEBT SERVICE 1996 - 2020
(based on debt outstanding on 1 July 1995)

Preliminary Category of external debt (US\$ billions)	20 03		20 04		20 05		20 06		20 07		20 08		20 09		20 10		20 11			
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I		
A) Russian Debt																				
1) Multilateral Debt																				
a) Debt outstanding on 1/7/95	0.6	0.1	0.2	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
b) Drawings in 2nd half 1995	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	
c) Drawings in 1996 and beyond	<u>2.1</u>	<u>0.6</u>	<u>2.1</u>	<u>0.6</u>	<u>2.2</u>	<u>0.6</u>	<u>2.0</u>	<u>0.3</u>	<u>1.3</u>	<u>0.2</u>	<u>0.8</u>	<u>0.1</u>	<u>0.4</u>	<u>0.1</u>	<u>0.2</u>	<u>0.1</u>	<u>0.2</u>	<u>0.1</u>	<u>0.2</u>	<u>0.1</u>
	2.8	0.7	2.4	0.7	2.3	0.7	2.1	0.4	1.5	0.2	0.9	0.2	0.5	0.1	0.3	0.1	0.3	0.1	0.3	0.1
2) Bilateral Debt																				
a) Debt outstanding on 1/7/95	0.4	0.0	0.2	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b) Drawings in 2nd half 1995	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
c) Drawings in 1996 and beyond	<u>1.9</u>	<u>1.2</u>	<u>2.4</u>	<u>1.3</u>	<u>2.1</u>	<u>1.6</u>	<u>2.1</u>	<u>1.4</u>	<u>2.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>
	2.4	1.3	2.6	1.3	2.2	1.6	2.2	1.4	2.6	1.5	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
3) Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total debt service on Russian debt	5.2	2.0	4.9	2.0	4.5	2.3	4.3	1.8	4.0	1.7	2.5	1.6	2.0	1.6	1.8	1.6	1.8	1.6	1.8	1.5
<i>Principal + Interest</i>		7.2		7.0		6.8		6.1		5.7		4.1		3.6		3.3		3.3		3.3
B) Former Soviet Union Debt																				
4) 1993 Paris Club rescheduling																				
a) Pre cut-off date debt	1.5	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b) Post cut-off date debt	0.7	0.3	0.8	0.2	0.9	0.2	1.0	0.1	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
c) Short term debt	0.5	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
d) Deferred Interest	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Sub-total	2.7	0.4	1.0	0.2	0.9	0.2	1.0	0.1	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1994 Paris Club rescheduling																				
a) Pre cut-off date debt	0.2	0.1	0.2	0.1	0.2	0.1	0.2	0.1	0.3	0.1	0.3	0.1	0.4	0.0	0.2	0.0	0.0	0.0	0.0	0.0
b) Post cut-off date debt	0.7	0.1	0.8	0.1	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
c) Short term debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
d) Deferred Interest	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Sub-total	0.9	0.3	1.0	0.2	0.6	0.1	0.2	0.1	0.3	0.1	0.3	0.1	0.4	0.0	0.2	0.0	0.0	0.0	0.0	0.0
6) 1995 Paris Club rescheduling																				
a) Pre cut-off date debt	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.3	0.1	0.4	0.1	0.4	0.1	0.5	0.0	0.2	0.0	0.2	0.0
b) Post cut-off date debt	0.3	0.1	0.3	0.1	0.4	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
c) Previously rescheduled short term debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
d) Previously rescheduled PCOD debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
e) Deferred interest	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Sub-total	0.5	0.3	0.5	0.2	0.6	0.2	0.5	0.2	0.3	0.1	0.4	0.1	0.4	0.1	0.5	0.0	0.2	0.0	0.2	0.0
7) 1996/97/98 Paris Club rescheduling (MYRA)																				
a) Pre cut-off date debt	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.4	0.2	0.5	0.2	0.5	0.2	0.6	0.1	0.7	0.1	0.7	0.1
b) Post cut-off date debt	<u>0.5</u>	<u>0.2</u>	<u>0.6</u>	<u>0.2</u>	<u>0.7</u>	<u>0.1</u>	<u>0.8</u>	<u>0.1</u>	<u>0.4</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Sub-total	0.7	0.5	0.9	0.5	1.0	0.4	1.1	0.3	0.8	0.2	0.5	0.2	0.5	0.2	0.6	0.1	0.7	0.1	0.7	0.1
8) Contractual maturities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total debt service on debt eligible for Paris Club rescheduling	4.8	1.4	3.4	1.1	3.1	0.9	2.8	0.7	2.0	0.5	1.1	0.3	1.3	0.3	1.2	0.2	0.9	0.1	0.9	0.1
<i>Principal + Interest</i>		6.3		4.5		4.0		3.5		2.4		1.5		1.5		1.4		1.4		1.0
9) Non Paris Club debt stock rescheduling																				
a) Pre cut-off date debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0
b) Post cut-off date debt	0.4	0.2	0.5	0.1	0.6	0.1	0.6	0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
c) Deferred Interest	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Sub-total	0.5	0.2	0.5	0.2	0.6	0.1	0.7	0.1	0.4	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0
10) COMECON debt	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11) Special case rescheduling	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12) London Club rescheduling																				
a) 1994/95 interest downpayment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b) Affected debt	0.5	1.8	0.5	1.8	0.7	1.7	1.0	1.7	1.0	1.6	2.0	1.5	2.0	1.4	2.9	1.2	3.7	1.0	3.7	1.0
c) Past due interest notes	0.2	0.9	0.2	0.9	0.5	0.8	0.7	0.8	1.3	0.7	1.8	0.6	2.0	0.5	1.9	0.3	1.2	0.2	1.2	0.2
d) Specified debt	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>
	0.7	2.8	0.7	2.7	1.2	2.6	1.7	2.5	2.3	2.4	3.8	2.2	4.1	1.9	5.0	1.6	5.0	1.2	5.0	1.2
13) Trade Suppliers	0.2	0.3	0.2	0.3	0.3	0.2	0.3	0.2	0.4	0.2	0.4	0.2	0.5	0.1	0.5	0.1	0.6	0.1	0.6	0.1
14) Provision for non-VEB debt	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>	<u>0.0</u>
Total debt service on former Soviet Union debt	7.3	4.8	5.0	4.3	5.3	4.0	5.6	3.6	5.1	3.1	5.5	2.8	6.0	2.4	6.9	1.9	6.8	1.4	6.8	1.4
<i>Principal + Interest</i>		12.1		9.3		9.3		9.2		8.3		8.3		8.4		8.8		8.2		8.2
Total Debt Service	12.5	6.8	9.9	6.4	9.8	6.2	10.0	5.3	9.2	4.9	8.0	4.4	8.0	3.9	8.7	3.4	8.5	2.9	2.9	2.9
<i>Principal + Interest</i>		19.3		16.3		16.1		15.3		14.0		12.4		12.0		12.2		11.5		11.5
Average percentage of moratorium interest to be paid		100%		100%		100%		100%		100%		100%		100%		100%		100%		100%
Memorandum item:																				
Debt service on Ministry of Finance hard currency denominated bonds	2.6	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	2.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0</

Assumptions

Scenario 2

1) Maturities to be rescheduled

100% of contractual principal and interest falling due in 1996, 1997 and 1998 would be rescheduled on an annual basis under a MYRA. 100% of contractual principal and interest falling due after 1998 would be rescheduled in the form of a debt stock rescheduling.

2) Moratorium interest

100% of moratorium interest would be paid in respect of debt rescheduled in 1995 - 2002. 60% of moratorium interest would be paid in respect of debt rescheduled in 1993 during the period 1996 to 2000 (inclusive), 75% would be payable in 2001 and 100% thereafter. 75% of moratorium interest would be payable in respect of debt rescheduled in 1994 during the period 1996 - 2000 (inclusive) and 100% thereafter.

3) First principal payment date

All first principal payment dates would be adjusted to the end of 2002.

4) Principal repayment schedule

All pre cut-off date debt, post cut-off date debt, short term debt and deferred moratorium interest would be repaid according to the attached repayment schedule.

**Illustrative Paris Club
Repayment Terms**

Date	Percentage of Principal repaid	Percentage of debt stock outstanding
Dec - 2002	0.87	99.13
June - 2003	1.00	98.13
Dec - 2003	1.00	97.13
June - 2004	1.00	96.13
Dec - 2004	1.25	94.88
June - 2005	1.75	93.13
Dec - 2005	1.75	91.38
June - 2006	1.75	89.63
Dec - 2006	2.50	87.13
June - 2007	2.50	84.63
Dec - 2007	2.50	82.13
June - 2008	3.50	78.63
Dec - 2008	3.50	75.13
June - 2009	4.00	71.13
Dec - 2009	4.00	67.13
June - 2010	4.00	63.13
Dec - 2010	4.13	59.00
June - 2011	4.25	54.75
Dec - 2011	4.50	50.25
June - 2012	4.50	45.75
Dec - 2012	4.50	41.25
June - 2013	4.50	36.75
Dec - 2013	3.00	33.75
June - 2014	3.00	30.75
Dec - 2014	3.00	27.75
June - 2015	2.75	25.00
Dec - 2015	2.75	22.25
June - 2016	2.75	19.50
Dec - 2016	2.75	16.75
June - 2017	2.75	14.00
Dec - 2017	2.75	11.25
June - 2018	2.75	8.50
Dec - 2018	2.75	5.75
June - 2019	2.75	3.00
Dec - 2019	1.00	2.00
June - 2020	1.00	1.00
Dec - 2020	1.00	0.00

100%

Scenario 2

PROJECTION OF EXTERNAL DEBT SERVICE 1996 - 2020
(based on debt outstanding on 1 July 1995)

Preliminary

(US\$ billions)

Category of external debt	19 96		19 97		19 98		19 99		20 00		20 01		20 02	
	P	I	P	I	P	I	P	I	P	I	P	I	P	I
A) Russian Debt														
1) Multilateral Debt														
a) Debt outstanding on 1/7/95	0.8	0.4	0.6	0.3	0.9	0.3	1.5	0.2	1.1	0.2	0.6	0.1	0.8	0.1
b) Drawings in 2nd half 1995	0.0	0.2	0.0	0.3	0.2	0.3	1.7	0.3	1.5	0.1	0.1	0.1	0.1	0.1
c) Drawings in 1996 and beyond	0.0	0.1	0.0	0.5	0.0	0.9	0.0	1.0	0.3	1.1	1.0	1.0	1.7	0.9
	0.8	0.7	0.6	1.2	1.1	1.5	3.2	1.5	2.8	1.3	1.7	1.2	2.4	1.1
2) Bilateral Debt														
a) Debt outstanding on 1/7/95	1.0	0.3	0.7	0.3	0.7	0.2	0.8	0.2	0.7	0.2	0.6	0.1	0.5	0.1
b) Drawings in 2nd half 1995	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.0	0.1	0.0	0.0
c) Drawings in 1996 and beyond	0.0	0.2	1.1	0.5	0.6	0.6	0.7	0.8	1.3	1.0	2.3	1.1	1.9	1.1
	1.2	0.8	1.9	0.8	1.4	0.9	1.6	1.1	2.1	1.2	3.0	1.2	2.8	1.2
3) Bonds														
	1.1	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Total debt service on Russian debt	3.0	1.4	2.6	2.0	2.7	2.4	4.9	2.8	6.0	2.6	4.7	2.6	6.0	2.3
Principal + Interest	4.4		4.6		5.1		7.6		7.8		7.2		7.3	
B) Former Soviet Union Debt														
4) 1993 Paris Club rescheduling														
a) Pre out-of date debt	0.0	0.3	0.0	0.3	0.0	0.3	0.0	0.3	0.0	0.3	0.0	0.4	0.1	0.5
b) Post out-of date debt	0.0	0.2	0.0	0.3	0.0	0.3	0.0	0.3	0.0	0.3	0.0	0.3	0.0	0.4
c) Short term debt	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.2
d) Deferred interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sub-total	0.0	0.7	0.0	0.7	0.0	0.7	0.0	0.7	0.0	0.7	0.0	0.8	0.1	1.1
5) 1994 Paris Club rescheduling														
a) Pre out-of date debt	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.2	0.0	0.2
b) Post out-of date debt	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.3	0.0	0.3
c) Short term debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
d) Deferred interest	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1
Sub-total	0.0	0.4	0.0	0.4	0.0	0.4	0.0	0.4	0.0	0.4	0.0	0.5	0.1	0.8
6) 1995 Paris Club rescheduling														
a) Pre out-of date debt	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2
b) Post out-of date debt	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1
c) Previously rescheduled short term debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
d) Previously rescheduled PCOD debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
e) Deferred interest	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1
Sub-total	0.0	0.5	0.0	0.5	0.0	0.5	0.0	0.5	0.0	0.5	0.0	0.5	0.1	0.5
7) 1996/97/98 Paris Club rescheduling (MYRA)														
a) Pre out-of date debt	0.0	0.1	0.0	0.2	0.0	0.3	0.0	0.3	0.0	0.3	0.0	0.3	0.0	0.3
b) Post out-of date debt	0.0	0.1	0.0	0.2	0.0	0.3	0.0	0.3	0.0	0.3	0.0	0.3	0.0	0.3
c) Deferred interest	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1
Sub-total	0.0	0.2	0.0	0.4	0.0	0.7	0.0	0.8	0.0	0.8	0.0	0.8	0.1	0.8
8) 1999-2002 Paris Club Rescheduling (Debt Stock)														
a) Pre out-of date debt							0.0	0.1	0.0	0.2	0.0	0.2	0.0	0.3
b) Post out-of date debt							0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.2
c) Deferred interest							0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1
Sub-total							0.0	0.1	0.0	0.3	0.0	0.4	0.1	0.6
Total debt service on debt eligible for Paris Club rescheduling	0.0	1.7	0.0	2.0	0.0	2.2	0.0	2.4	0.0	2.6	0.0	3.0	0.4	3.4
		1.7		2.0		2.2		2.4		2.6		3.0		3.9
9) Non Paris Club debt stock rescheduling														
a) Pre out-of date debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b) Post out-of date debt	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.3	0.1	0.3
c) Deferred interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sub-total	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.4	0.1	0.3
10) COMECON debt														
	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.4
11) Special case rescheduling														
	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12) London Club rescheduling														
a) 1995 interest downpayment	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b) Affected debt	0.0	0.2	0.0	0.7	0.0	0.9	0.0	1.0	0.0	1.1	0.0	1.5	0.2	1.9
c) Past due interest notes	0.0	0.2	0.0	0.6	0.0	0.7	0.0	0.8	0.0	0.9	0.0	0.9	0.1	1.0
d) Specified debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1
	0.0	1.5	0.0	1.4	0.0	1.7	0.0	1.9	0.0	2.1	0.0	2.5	0.4	2.9
13) Trade Suppliers														
	0.0	0.2	0.0	0.4	0.0	0.4	0.0	0.4	0.0	0.4	0.0	0.4	0.1	0.3
14) Provision for non-VES debt														
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1
Total debt service on former Soviet Union debt	0.2	4.0	0.0	4.2	0.0	4.7	0.1	5.1	0.0	5.6	0.0	6.6	1.2	7.4
Principal + Interest	4.1		4.3		4.8		5.2		5.6		6.8		8.6	
Total Debt Service	3.2	5.4	2.6	6.2	2.7	7.1	4.9	7.7	5.1	8.0	4.8	9.0	6.2	9.7
Principal + Interest	8.6		8.9		9.9		12.6		13.1		13.7		15.9	
Average percentage of moratorium interest to be paid		75%		75%		75%		75%		75%		88%		100%
Memorandum item:														
Debt service on Ministry of Finance hard currency denominated bonds	1.5	0.2	0.0	0.2	0.0	0.2	1.3	0.2	0.0	0.1	0.0	0.1	0.0	0.1
		1.7		0.2		0.2		1.5		0.1		0.1		0.1

Scenario 2

PROJECTION OF EXTERNAL DEBT SERVICE 1996 - 2020
(based on debt outstanding on 1 July 1995)

Preliminary

(US\$ billions)

Category of external debt	20 03		20 04		20 05		20 06		20 07		20 08		20 09		20 10		20 11	
	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I	P	I
A) Russian Debt																		
1) Multilateral Debt																		
a) Debt outstanding on 1/7/95	0.6	0.1	0.2	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b) Drawings in 2nd half 1995	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
c) Drawings in 1996 and beyond	<u>2.1</u>	<u>0.6</u>	<u>2.1</u>	<u>0.6</u>	<u>2.2</u>	<u>0.6</u>	<u>2.0</u>	<u>0.3</u>	<u>1.3</u>	<u>0.2</u>	<u>0.8</u>	<u>0.1</u>	<u>0.4</u>	<u>0.1</u>	<u>0.2</u>	<u>0.1</u>	<u>0.2</u>	<u>0.1</u>
	2.8	0.7	2.4	0.7	2.3	0.7	2.1	0.4	1.5	0.2	0.9	0.2	0.5	0.1	0.3	0.1	0.3	0.1
2) Bilateral Debt																		
a) Debt outstanding on 1/7/95	0.4	0.0	0.2	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b) Drawings in 2nd half 1995	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
c) Drawings in 1996 and beyond	<u>1.9</u>	<u>1.2</u>	<u>2.4</u>	<u>1.3</u>	<u>2.1</u>	<u>1.6</u>	<u>2.1</u>	<u>1.4</u>	<u>2.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>
	2.4	1.3	2.6	1.3	2.2	1.6	2.2	1.4	2.6	1.5	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5
3) Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total debt service on Russian debt	5.2	2.0	4.9	2.0	4.5	2.3	4.3	1.8	4.0	1.7	2.5	1.6	2.0	1.6	1.8	1.6	1.8	1.5
Principal + Interest		7.2		7.0		6.8		6.1		5.7		4.1		3.6		3.3		3.3
B) Former Soviet Union Debt																		
4) 1993 Paris Club rescheduling																		
a) Pre cut-off date debt	0.1	0.5	0.2	0.5	0.3	0.5	0.3	0.5	0.4	0.5	0.5	0.4	0.6	0.4	0.6	0.4	0.5	0.3
b) Post cut-off date debt	0.1	0.4	0.1	0.4	0.2	0.4	0.2	0.4	0.3	0.4	0.4	0.3	0.4	0.3	0.5	0.3	0.5	0.2
c) Short term debt	0.0	0.2	0.1	0.2	0.1	0.2	0.1	0.2	0.1	0.2	0.2	0.1	0.2	0.1	0.2	0.1	0.2	0.1
d) Deferred interest	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>
Sub-total	0.3	1.2	0.4	1.1	0.6	1.1	0.7	1.1	0.8	1.0	1.1	1.0	1.3	0.9	1.3	0.8	1.4	0.7
5) 1994 Paris Club rescheduling																		
a) Pre cut-off date debt	0.0	0.2	0.1	0.2	0.1	0.2	0.1	0.2	0.1	0.2	0.2	0.1	0.2	0.1	0.2	0.1	0.2	0.1
b) Post cut-off date debt	0.1	0.3	0.1	0.3	0.2	0.3	0.2	0.3	0.2	0.3	0.3	0.3	0.4	0.2	0.4	0.2	0.4	0.2
c) Short term debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
d) Deferred interest	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>
Sub-total	0.2	0.6	0.2	0.6	0.3	0.5	0.3	0.5	0.4	0.5	0.5	0.5	0.6	0.4	0.6	0.4	0.7	0.3
6) 1995 Paris Club rescheduling																		
a) Pre cut-off date debt	0.1	0.2	0.1	0.2	0.1	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.3	0.1
b) Post cut-off date debt	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.2	0.1	0.2	0.1
c) Previously rescheduled short term debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
d) Previously rescheduled PCOD debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
e) Deferred interest	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>
Sub-total	0.1	0.5	0.1	0.5	0.2	0.5	0.3	0.4	0.3	0.4	0.4	0.4	0.5	0.4	0.5	0.3	0.6	0.3
7) 1996/97/98 Paris Club rescheduling (MYRA)																		
a) Pre cut-off date debt	0.1	0.3	0.1	0.3	0.2	0.3	0.2	0.3	0.2	0.3	0.3	0.3	0.4	0.3	0.4	0.2	0.4	0.2
b) Post cut-off date debt	0.1	0.3	0.1	0.3	0.2	0.3	0.2	0.3	0.2	0.3	0.3	0.3	0.4	0.2	0.4	0.2	0.4	0.2
c) Deferred interest	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>
Sub-total	0.2	0.7	0.2	0.7	0.4	0.7	0.4	0.7	0.5	0.6	0.7	0.6	0.8	0.6	0.8	0.5	0.9	0.4
8) 1999-2002 Paris Club Rescheduling (Debt Stock)																		
a) Pre cut-off date debt	0.1	0.3	0.1	0.3	0.1	0.3	0.2	0.3	0.2	0.3	0.3	0.3	0.3	0.2	0.3	0.2	0.4	0.2
b) Post cut-off date debt	0.0	0.2	0.1	0.2	0.1	0.2	0.1	0.2	0.1	0.1	0.2	0.1	0.2	0.1	0.2	0.1	0.2	0.1
c) Deferred interest	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>
Sub-total	0.1	0.6	0.2	0.5	0.3	0.5	0.3	0.5	0.4	0.5	0.5	0.5	0.6	0.4	0.6	0.4	0.7	0.3
Total debt service on debt eligible for Paris Club rescheduling	0.9	3.5	1.1	3.4	1.7	3.3	2.0	3.2	2.4	3.1	3.3	2.9	3.8	2.6	3.9	2.3	4.2	2.0
9) Non Paris Club debt stock rescheduling																		
a) Pre cut-off date debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b) Post cut-off date debt	0.1	0.3	0.1	0.3	0.1	0.3	0.2	0.2	0.2	0.2	0.3	0.2	0.3	0.2	0.3	0.2	0.3	0.2
c) Deferred interest	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Sub-total	0.1	0.3	0.1	0.3	0.2	0.3	0.2	0.3	0.2	0.3	0.3	0.3	0.4	0.2	0.4	0.2	0.4	0.2
10) COMECON debt	0.1	0.4	0.1	0.4	0.2	0.4	0.2	0.3	0.3	0.3	0.4	0.3	0.4	0.3	0.4	0.2	0.4	0.2
11) Special case rescheduling	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12) London Club rescheduling																		
a) 1995 interest downpayment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b) Affected debt	0.5	1.8	0.5	1.8	0.7	1.7	1.0	1.7	1.0	1.6	1.5	2.0	1.4	2.8	1.2	3.7	1.0	3.7
c) Past due interest notes	0.2	0.9	0.2	0.9	0.5	0.8	0.7	0.8	1.3	0.7	1.8	0.8	2.0	0.5	1.9	0.3	1.2	0.2
d) Specified debt	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>
	0.7	2.8	0.7	2.7	1.2	2.6	1.7	2.5	2.3	2.4	3.8	2.2	4.1	1.9	5.0	1.6	5.0	1.2
13) Trade Suppliers	0.2	0.3	0.2	0.3	0.3	0.3	0.3	0.2	0.3	0.2	0.4	0.2	0.4	0.2	0.3	0.1	0.3	0.1
14) Provision for non-VEB debt	<u>0.0</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>
Total debt service on former Soviet Union debt	2.1	7.3	2.3	7.1	3.6	7.0	4.6	6.7	5.6	6.3	8.3	5.9	9.1	5.2	10.0	4.5	10.3	3.8
Principal + Interest		9.5		9.4		10.6		11.3		11.9		14.1		14.3		14.5		14.1
Total Debt Service	7.4	9.3	7.2	9.2	8.1	9.2	8.9	8.4	9.6	8.1	10.7	7.5	11.1	6.8	11.8	6.1	12.1	5.3
Principal + Interest		16.7		16.4		17.4		17.2		17.7		18.2		17.9		17.8		17.4
Average percentage of moratorium interest to be paid		100%		100%		100%		100%		100%		100%		100%		100%		100%
Memorandum item:																		
Debt service on Ministry of Finance hard currency denominated bonds	2.6	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	2.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0
		2.8		0.1		0.1		0.1		0.1		2.2		0.0		0.0		0.0

STATEMENT BY THE HONOURABLE RONALD D.S. PENZA, MP
MINISTER OF FINANCE

MR. CHAIRMAN, DISTINGUISHED MEMBERS OF THE PARIS CLUB,
LADIES AND GENTLEMEN,

IT IS AN HONOUR FOR ME TO ADDRESS THIS AUGUST GATHERING OF PARIS CLUB MEMBER COUNTRIES. I WOULD LIKE TO THANK THE PARIS CLUB SECRETARIAT FOR ORGANIZING THIS IMPORTANT MEETING. I WOULD ALSO LIKE TO THANK ALL THE REPRESENTATIVES OF MEMBER COUNTRIES, FOR ATTENDING THIS MEETING WITH THE AIM TO ADDRESS ZAMBIA'S PARIS CLUB DEBT BURDEN.

ZAMBIA IS AT A CRUCIAL STAGE IN ITS HISTORY. IN JULY OF 1992 WE CAME HERE TO SEEK THE HIGHEST FORM OF DEBT RELIEF. AT THE TIME WE WERE AFFECTED BY ONE OF THE WORST DROUGHTS IN OUR HISTORY, ONLY A FEW MONTHS AFTER MY GOVERNMENT TOOK OFFICE, AND HAVING FOUND AN ECONOMY WHICH WAS DETERIORATING RAPIDLY. AS YOU ARE AWARE, ZAMBIA HAS MOVED AHEAD WITH REFORM IN THE ECONOMIC AND POLITICAL AREAS. THE CONDITIONS FOR RENEWED GROWTH ARE ALREADY APPARENT IN THE COUNTRY. ZAMBIA WANTS TO CONTINUE WITH ACCELERATED REFORM AS A PRECONDITION FOR ECONOMIC AND SOCIAL DEVELOPMENT. HOWEVER, THE COUNTRY CONTINUES TO FACE AN EXTREMELY HEAVY EXTERNAL DEBT BURDEN, ALTHOUGH SOME PROGRESS HAS BEEN ACHIEVED ON DEBT STOCK REDUCTION.

THE ECONOMY OF ZAMBIA IS UNDERGOING A PROFOUND TRANSFORMATION. DESPITE OUR SIGNIFICANT EFFORTS AND COMMITMENT TO REFORM, GROWTH AND POVERTY ALLEVIATION HAVE NOT BEEN ACHIEVED UP TO THE LEVEL THAT WE HAD ENVISIONED IN 1991. DURING THE LAST FOUR YEARS, THE GOVERNMENT CONTINUED TO PRESS AHEAD WITH FUNDAMENTAL REFORMS OF THE ECONOMY. THE MAJOR OBJECTIVES WERE TO FREE UP MARKETS, REDUCE BUDGET DEFICITS, REDUCE AND RESTRUCTURE EXTERNAL DEBT, RESTORE ZAMBIA'S RELATIONS WITH THE INTERNATIONAL FINANCIAL COMMUNITY, STRENGTHEN KEY ECONOMIC INSTITUTIONS, REDUCE AND RATIONALIZE THE ROLE OF THE PUBLIC SECTOR, PRIVATIZE PARASTATALS, REPAIR AND REHABILITATE THE PHYSICAL INFRASTRUCTURE AND RESTORE AND ENHANCE THE SOCIAL SERVICES DELIVERY SYSTEM.

OVER THE PAST FOUR YEARS WE HAVE BEEN ABLE TO LAY A STRONG FOUNDATION FOR MACRO-ECONOMIC STABILITY. THE CHALLENGE WE FACE IS TO INDUCE THE NECESSARY SUPPLY RESPONSE TO ACHIEVE GROWTH OF THE ECONOMY. SOME SECTORS SUCH AS NON TRADITIONAL EXPORTS, SERVICES, TRANSPORTATION AND AGRICULTURE HAVE SHOWN SIGNIFICANT GROWTH. HOWEVER THE VAGARIES OF THE WEATHER HAVE DIRECTLY AFFECTED AGRICULTURE AND INDIRECTLY, OTHERS LIKE MANUFACTURING, HAVE FOUND IT DIFFICULT TO RESPOND TO THE POLICY CHANGES.

SOME OF THE SETBACKS HAVE BEEN COMPENSATED BY THE SUCCESSFUL RESTRUCTURING OF THE PARASTATAL SECTOR WHICH HAS SEEN THE PRIVATIZATION OF OVER 100 STATE OWNED ENTERPRISES UP TO DECEMBER LAST YEAR.

A MAJOR CHALLENGE FOR OUR ECONOMY REMAINS THE PRIVATIZATION OF ZAMBIA CONSOLIDATED COPPER MINES (ZCCM) WHICH IS BEING IMPLEMENTED IN STAGES. IN COLLABORATION WITH THE WORLD BANK, LEGAL AND FINANCIAL ADVISORS HAVE BEEN APPOINTED AND WORK IS PROGRESSING SATISFACTORILY. IN THE INTERIM, CHANGES HAVE BEEN EFFECTED AT THE OPERATIONAL, TOP MANAGEMENT LEVELS AND BOARD LEVELS. THE BOARD HAS BEEN STRENGTHENED WITH THE APPOINTMENT OF TWO PRIVATE SECTOR BOARD MEMBERS AND THE APPOINTMENT OF A CHAIRMAN FROM OUTSIDE THE CIVIL SERVICE. TOP MANAGEMENT HAS BEEN STRENGTHENED BY THE APPOINTMENT OF SENIOR PERSONNEL RESPONSIBLE FOR INTERNAL AUDIT AND ANOTHER FOR CORPORATE AND STRATEGIC PLANNING. AT THE OPERATIONAL LEVEL HIGHLY QUALIFIED MANAGERS AND HIGHLY TECHNICALLY COMPETENT PERSONNEL HAVE BEEN ENGAGED.

MR. CHAIRMAN, I WANT TO EMPHASIZE THAT THE FUNDAMENTALS ARE RIGHT AS WE REMAIN ON COURSE WITH THE ECONOMIC PROGRAMME, DESPITE THE INTERNAL AND EXTERNAL SHOCKS WE HAVE EXPERIENCED DURING THE LAST FOUR YEARS, SUCH AS DROUGHTS, VOLATILITY OF COPPER PRICES AND FINANCIAL SECTOR INSTABILITY. THE ECONOMY RESPONDED STRONGLY AND WE CONTINUE ON OUR PATH TO RECOVERY. THIS IS A REFLECTION THAT THE ECONOMY HAS GAINED RESILIENCE AND THAT REFORM HAS TAKEN ROOT.

MR. CHAIRMAN, THE PEOPLE OF ZAMBIA HAVE CONTINUED TO MAKE ENORMOUS SACRIFICES IN TERMS OF PER CAPITA INCOME REDUCTION AND FALLING LIVING CONDITIONS. HOWEVER, THE

SAVINGS LEVEL AND GOVERNMENT REVENUE AS PERCENT OF GDP ARE IMPROVING. A COMPREHENSIVE TAX REFORM AND A NEW TAX ADMINISTRATION IS HELPING TO ATTAIN THIS OBJECTIVE. THE REFORMS IN TAX AND TARIFF RATES ARE BEING FINE TUNED TO CREATE A COMPETITIVE ENVIRONMENT WHERE PRIVATE SECTOR INVESTMENT, BOTH LOCAL AND FOREIGN CAN FLOURISH.

MR. CHAIRMAN, WE ACKNOWLEDGE WITH GRATITUDE THE VERY STRONG SUPPORT WHICH ZAMBIA IS RECEIVING FROM THE INTERNATIONAL DONOR COMMUNITY, AT THE BILATERAL LEVEL AND FROM MULTILATERAL ORGANIZATIONS, INCLUDING THE WORLD BANK AND THE INTERNATIONAL MONETARY FUND. IT IS WITH THE CONFIDENCE OF ALL PARTIES INVOLVED IN THIS CRUCIAL PROGRAMME, IMPLEMENTED WITH VIGOUR AND SACRIFICE, THAT ZAMBIA CAN CONTINUE ITS PATH TO RECOVERY.

TO SHOW OUR COMMITMENT FOR RESPONSIBLE DEBT MANAGEMENT, WE HAVE CONTINUED TO MAKE TIMELY PAYMENTS TO MULTILATERAL INSTITUTIONS AND TO PARIS CLUB CREDITORS BASED ON THE 1992 RESCHEDULING AGREEMENT. DURING 1995 MORE THAN \$139 MILLION WAS PAID TO PARIS CLUB CREDITORS. THIS CONTRASTS SHARPLY WITH RESCHEDULING AGREEMENTS BEFORE 1992, WHERE ARREARS ON ALL CATEGORIES OF DEBT WERE INCURRED DURING THE CONSOLIDATION PERIOD. TECHNICAL ARREARS ON PRE CUT-OFF AND PREVIOUSLY RESCHEDULED OBLIGATIONS HAVE BEEN INCURRED AS A RESULT OF THE ABSENCE OF A NEW RESCHEDULING AGREEMENT ORIGINALLY ENVISAGED FOR EARLY 1995.

THE OVERALL EXTERNAL DEBT SERVICE ASSOCIATED WITH LOWER THAN EXPECTED DONOR INFLOWS HAS DEPLETED OUR RESERVES TO VERY PRECARIOUS LEVELS. ZAMBIA NEEDS TO BUILD UP ITS FOREIGN EXCHANGE RESERVES SO THAT SHORTFALLS IN EXPORT REVENUES AND DONOR INFLOWS DO NOT DISRUPT THE ECONOMY. AT THE SAME TIME WE HAVE TO EFFECT DEBT SERVICE PAYMENTS TO AVOID THE ACCUMULATION OF ARREARS.

MR. CHAIRMAN, WE CANNOT ACHIEVE ECONOMIC RECOVERY UNLESS WE CAN COUNT ON THE ACTIVE PARTICIPATION AND SUPPORT OF THE INTERNATIONAL CREDITOR COMMUNITY. BEING A LEAST DEVELOPED COUNTRY WITH A PER CAPITA INCOME OF ABOUT US \$300 PER YEAR, AND HAVING DEVOTED 12 PERCENT OF OUR NATIONAL INCOME FOR EXTERNAL DEBT SERVICE IN 1995, WE CANNOT CONTINUE DEVOTE 40 PERCENT OR MORE OF OUR EXPORT EARNINGS FOR THE SERVICING OF OUR EXTERNAL DEBT CONSISTENT WITH ECONOMIC GROWTH AND ALLEVIATION

OF POVERTY.

MR. CHAIRMAN, ANALYSIS OF THE EXTERNAL SECTOR PROJECTIONS FOR ZAMBIA FOR THE NEXT THREE YEARS SHOWS THAT FINANCIAL GAPS OF A SIGNIFICANT MAGNITUDE EXISTS. FOR THE COMING YEARS DECLINING WORLD COPPER PRICES WILL CONTINUE TO AFFECT THE BALANCE OF PAYMENTS NEGATIVELY. DURING THE LAST YEARS, SIGNIFICANT FINANCIAL RESOURCES HAVE BEEN USED FOR DEBT SERVICE PAYMENTS INSTEAD OF DEVOTING THEM TO THE PRODUCTIVE SECTOR, SO THAT ZAMBIA CAN GROW AGAIN. TO CLOSE THE FINANCIAL GAP THE HIGHEST FORM OF DEBT RELIEF WELL ABOVE EXISTING PARIS CLUB PRACTICES HAS TO BE EXTENDED.

MR. CHAIRMAN, THE MAGNITUDE OF ZAMBIA'S EXTERNAL FINANCING REQUIREMENTS FOR THE NEXT THREE YEARS IS INDICATED IN TABLE 2 OF OUR REQUEST. I WOULD LIKE TO FOCUS OUR REQUEST TO THE HIGHEST POSSIBLE LEVEL OF DEBT RELIEF WITH MAXIMUM REDUCTION OF MATURITIES FALLING DUE DURING THE CONSOLIDATION PERIOD. SPECIFICALLY, ZAMBIA REQUESTS DEBT RELIEF ON ALL OBLIGATIONS FALLING DUE FROM 1ST JANUARY 1996 TO 31ST DECEMBER 1998 AND OBLIGATIONS IN ARREARS AS OF DECEMBER 1995 AS FOLLOWS:

- A. THE RESCHEDULING OF 100 PERCENT OF OBLIGATIONS ON SCHEDULED AMORTIZATION AND INTEREST ON PRE CUT-OFF DEBT (DEBT AND OBLIGATIONS ARISING FROM THIS DEBT, WHICH WAS CONTRACTED BEFORE 1ST JANUARY 1983) AND ON PREVIOUSLY RESCHEDULED DEBT, OF 1986, TOPING UP ON 1990 AND 1992 AGREEMENTS, WHICH ARE FALLING DUE FROM JANUARY 1ST 1996 TO 31ST DECEMBER 1998;
- B. THE RESCHEDULING OF 100 PERCENT OF ARREARS AS OF DECEMBER 31, 1995 (INCLUDING LATE INTEREST);
- C. THE DEFERRAL OF MORATORIUM INTEREST FALLING DUE DURING THE CONSOLIDATION PERIOD.
- D. THE DEFERRAL OF POST CUT-OFF OBLIGATIONS FALLING DUE DURING THE CONSOLIDATION PERIOD.

MR. CHAIRMAN, OUR DEMOCRATICALLY-ELECTED GOVERNMENT IS JUST BEGINNING TO SHOW GENUINE PROGRESS IN THE AREAS OF ECONOMIC AND SOCIAL ADVANCEMENT. OUR GROWTH PROSPECTS ARE DEPENDENT ON THE BALANCE OF PAYMENTS POSITION WHICH REMAINS

EXTREMELY DIFFICULT. WE HAVE NOT ASKED FOR THE STOCK OF DEBT OPERATION BECAUSE THAT OPTION WOULD STILL LEAVE ZAMBIA WITH AN UNSUSTAINABLE LEVEL OF DEBT SERVICE AND DEBT STOCK. THAT IS WHY WE ARE REQUESTING THE RESCHEDULING AND DEFERRAL TO BE CARRIED OUT ON THE MAXIMUM CONCESSIONAL TERMS POSSIBLE.

MR. CHAIRMAN, ZAMBIA HAS COME BEFORE THE PARIS CLUB SEVERAL TIMES, AND HER REQUESTS HAVE BEEN MET GENEROUSLY. WE ARE EXTREMELY GRATEFUL FOR THIS. BUT, MR. CHAIRMAN, WHILE CONSIDERABLE RELIEF WAS OBTAINED ON EXTERNAL DEBT SERVICE, THE FUNDAMENTAL PROBLEM OF THE EXTERNAL DEBT STOCK OF MORE THEN \$6.3 BILLION STILL REMAINS THE GREATEST CHALLENGE MY GOVERNMENT FACES. WE WOULD ALSO VERY GRATEFUL IF WITH THE HELP OF PARIS CLUB REPRESENTATIVES GATHERED HERE TODAY THE MULTILATERAL DEBT COULD ALSO BE ADDRESSED AS IT REPRESENTS MORE THEN 50 PERCENT OF THE TOTAL INDEBTEDNESS OF ZAMBIA.

MR. CHAIRMAN, I WOULD LIKE TO URGE MEMBERS OF THE PARIS CLUB TO GIVE SPECIAL CONSIDERATION TO ACCELERATING EFFORTS IN THE AREA OF EXTERNAL DEBT REDUCTION. EVEN IF THIS MEANS ANOTHER ROUND OF NEGOTIATIONS FOR ZAMBIA DURING THE COMING MONTHS.

IN CONCLUSION MR. CHAIRMAN, I WOULD LIKE TO REGISTER THE GRATITUDE OF THE ZAMBIAN PEOPLE AND MY GOVERNMENT TO MEMBERS OF THE PARIS CLUB FOR THEIR SUPPORT IN OUR JOINT EFFORTS TO ACHIEVE SUSTAINABLE ECONOMIC GROWTH. HOWEVER THE CHALLENGE IS GREATER THAN WHAT OUR CURRENT EFFORTS WILL ACHIEVE IN THE SHORT RUN. WITH CONTINUED AND IMPROVED ECONOMIC MANAGEMENT, WE URGE THE DONORS TO RECIPROCATE THIS EFFORT WITH HIGHER LEVELS OF SUPPORT AS A MAJOR CONTRIBUTION TO REDUCE POVERTY. THEREFORE WE URGE YOU TO GIVE ZAMBIA MAXIMUM DEBT RELIEF.

THANK YOU.

AGREED MINUTE
ON THE CONSOLIDATION OF THE DEBT
OF THE REPUBLIC OF ZAMBIA

I- A/ PREAMBLE

1. The representatives of the Governments of Austria, Brazil, Canada, France, Germany, Italy, Japan, the United Kingdom and the United States of America, hereinafter referred to as "Participating Creditor Countries", met in Paris on February 27 and 28, 1996 with representatives of the Government of the Republic of Zambia in order to examine the request to alleviate the Republic of Zambia's external debt service obligations. Observers of the Government of Denmark, as well as the International Monetary Fund, the International Bank for Reconstruction and Development, the secretariat of the UNCTAD and the Organization for Economic Cooperation and Development also attended the meeting.

2. The delegation of the Republic of Zambia 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 arrangements under the Enhanced Structural Adjustment Facility with the International Monetary Fund.

3. The representatives of the International Monetary Fund described the Republic of Zambia's economic situation and the major elements of the adjustment program adopted by the Government of the Republic of Zambia and supported by arrangements under the Enhanced Structural Adjustment Facility with the International Monetary Fund. The first annual arrangement approved by the Executive Board of the International Monetary Fund on December 6, 1995 covers the period ending on December 5, 1996 and involves specific commitments in both the economic and financial fields.

4. The representatives of the Governments of the Participating Creditor Countries noted the strong measures of adjustment in the economic and financial program undertaken by the Government of the Republic of Zambia and stressed the importance they attach to the continued and full implementation of this program and in particular, the revitalization of the productive sector of the economy and the improvement of public finances and foreign exchange management.

They took note of the Republic of Zambia's chronic balance of payments problems and very heavy debt service obligations, in conjunction with very low per capita income, which were deemed, given the strong adjustment program noted above, to warrant exceptional treatment of the debt.

B/ DEFINITIONS

1. For the purpose of the present Agreed Minute, "the Appropriate Market Rate" means the rate, rounded to the nearest 1/16th of a point, and conditions of interest which will be determined bilaterally between the Government of the Republic of Zambia and the Government or the appropriate institutions of each Participating Creditor Country.

2. The authenticated tables attached to the present Agreed Minute and referred to hereafter form an integral part of the present Agreed Minute. As concerns the repayment schedules indicated in Tables A1, A3 and D2, it is understood that "semester" means a period of six successive months. The first semester referred to in the Tables is the period beginning on December 31, 1997. For each semester, it is understood that the due date is the first day of the corresponding semester.

3. 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.

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II- RECOMMENDATIONS ON TERMS OF THE REORGANIZATION

In view of the serious payment difficulties faced by the Republic of Zambia, 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 Zambia 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, pursuant to a contract or other financial arrangement concluded before January 1, 1983 ;
- b) loans from Governments or appropriate institutions of the Participating Creditor Countries, having an original maturity of more than one year, concluded before January 1, 1983 ;
- c) repayments of principal and interest due as a result of the consolidation agreements concluded according to the Agreed Minute dated March 4, 1986 ;
- d1) repayments of principal and interest due as a result of the consolidation agreements concluded according to the Agreed Minute dated July 12, 1990 between the Government of the Republic of Zambia and the Governments of the Participating Creditor Countries not listed in d2) below ;
- d2) repayments of principal and interest due as a result of the consolidation agreements concluded according to the Agreed Minute dated July 12, 1990 between the Government of the Republic of Zambia and the Governments of Brazil and the United States of America ;
- e1) repayments of principal and interest due as a result of the consolidation agreements concluded according to the Agreed Minute dated July 23, 1992 (excluding the amounts referred to in Article III paragraph 8. (i) of the Agreed Minute dated July 23, 1992) between the Government of the Republic of Zambia and the Governments of the Participating Creditor Countries not listed in e2). below ;
- e2) repayments of principal and interest due as a result of the consolidation agreements concluded according to the Agreed Minute dated July 23, 1992 (excluding the amounts referred to in Article III paragraph 8. (i) of the Agreed Minute dated July 23, 1992) between the Government of the Republic of Zambia and the Governments of Brazil and the United States of America.

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 the present Agreed Minute.

2. Terms of the consolidation

The debt relief will apply as follows :

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A/ As regards credits or loans granted or guaranteed by the Governments of Canada, France, Germany, the United Kingdom and the United States of America or their appropriate institutions

a) 67% of the amounts of principal and interest (excluding late interest) due as at December 31, 1995 inclusive and not paid and 67% of the amounts of principal and interest (excluding late interest) due from January 1, 1996 up to December 31, 1998 inclusive and not paid on credits, loans and consolidations mentioned in paragraphs 1.a), 1.b), 1.c), 1.d2) and 1.e2) above and not covered by paragraph C/ below will not need to be repaid by the Government of the Republic of Zambia. The remaining 33% will be rescheduled or refinanced. Repayment by the Government of the Republic of Zambia of the corresponding sums will be made as described in Table A1 attached to the present Agreed Minute ;

b) 50% of the amounts of principal and interest (excluding late interest) due as at December 31, 1995 inclusive and not paid and 50% of the amounts of principal and interest (excluding late interest) due from January 1, 1996 up to December 31, 1998 inclusive and not paid on consolidations mentioned in paragraph 1.d1) above and not covered by paragraph C/ below, will not need to be repaid by the Government of the Republic of Zambia. The remaining 50% will be rescheduled or refinanced. Repayment by the Government of the Republic of Zambia of the corresponding sums will be made as described in Table A1 attached to the present Agreed Minute ;

c) 34% of the amounts of principal and interest (excluding late interest) due as at December 31, 1995 inclusive and not paid and 34% of the amounts of principal and interest (excluding late interest) due from January 1, 1996 up to December 31, 1998 inclusive and not paid on consolidations mentioned in paragraph 1.e1) above and not covered by paragraph C/ below, will not need to be repaid by the Government of the Republic of Zambia. The remaining 66% will be rescheduled or refinanced. Repayment by the Government of the Republic of Zambia of the corresponding sums will be made as described in Table A1 attached to the present Agreed Minute ;

d) the rates and the conditions of interest on the rescheduling or refinancing arrangements covered by paragraphs a), b), and c) above will be determined bilaterally between the Government of the Republic of Zambia and the Government or appropriate institutions of the Participating Creditor Countries on the basis of the Appropriate Market Rate.

B/ As regards credits or loans granted or guaranteed by the Governments of Austria, Brazil, Italy and Japan or their appropriate institutions

a) 100% of the amounts of principal and interest (excluding late interest) due as at December 31, 1995 inclusive and not paid and 100% of the amounts of principal and interest (excluding late interest) due from January 1, 1996 up to December 31, 1998 inclusive and not paid on credits, loans and consolidations mentioned in paragraphs 1.a), 1.b), 1.c), 1.d1), 1.d2), 1.e1) and 1.e2) above and not covered by paragraph C/ below will be rescheduled or refinanced.

Repayment by the Government of the Republic of Zambia of the corresponding sums will be made as described in Table A3 attached to the present Agreed Minute.

b) the rates and the conditions of interest on the rescheduling and refinancing arrangements covered by paragraph a) above will be determined bilaterally between the Government of the Republic of Zambia and the Government or appropriate institutions of the Participating Creditor Countries on the basis of the Appropriate Market Rate and the reduction in net present value to be achieved on each category of debts as defined in paragraph c) below hereafter, according to Table B 3 attached to the present Agreed Minute ;

c) the reduction in net present value to be achieved is as follows :

- 67% on credits, loans and consolidations mentioned in paragraphs 1.a), 1.b), 1.c), 1.d2) and 1.e2) above ;

- 50% on consolidations mentioned in paragraph 1.d1) above ;

- 34% on consolidations mentioned in paragraph 1.e1) above.

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* LAL R [Signature] AA RB [Signature]

[Signature]

C/ As regards Official Development Assistance loans (ODA) granted by the Governments of the Participating Creditor Countries listed in paragraphs A/ and B/ above, or their appropriate institutions

a) The present paragraph applies to Official Development Assistance (ODA) loans, according to OECD definition, extended to the Government of the Republic of Zambia by the Governments or appropriate institutions of the Participating Creditor Countries concerned by paragraphs A/ et B/ above, pursuant to an agreement concluded before January 1, 1983, as well as to the consolidation of such loans to be concluded according to the Agreed Minutes dated March 4, 1986, October 26, 1989 and July 23, 1992 ;

b) recognizing the great value of contributions already made by the Participating Creditor Countries through various means in order to alleviate further the burden of servicing these debts, 100% of the amounts of principal and interest (excluding late interest) due as at December 31, 1995 inclusive and not paid and 100% of the amounts of principal and interest (excluding late interest) due from January 1, 1996 up to December 31, 1998 inclusive and not paid on loans and consolidations mentioned in paragraph a) above will be rescheduled or refinanced.

Repayment by the Government of the Republic of Zambia of the corresponding sums will be made as described in Table D2 attached to the present Agreed Minute.

c) The rates and the conditions of interest on the rescheduling or refinancing arrangements covered by paragraph b) above will be determined bilaterally between the Government of the Republic of Zambia and the Government or appropriate institutions of the concerned Participating Creditor Countries. These rates and conditions of interest should be at least as favourable as the concessional rate applying to those loans.

3. Debt swaps

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 June 30, 1992 or up to an amount of 10 million US dollars, whichever is higher.

III- GENERAL RECOMMENDATIONS

1. In order to secure comparable treatment of its debt due to all its external public or private creditors, the Government of the Republic of Zambia commits itself to seek from all its external creditors debt reorganization arrangements on terms comparable to those set forth in the present Agreed Minute for credits of comparable maturity.

Consequently, the Government of the Republic of Zambia commits itself not to accord any category of creditors -and in particular creditor countries not participating in the present Agreed Minute, commercial banks and suppliers - a treatment more favourable than that accorded the Participating Creditor Countries.

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

Rom  H L T C R S: C H A R B W

JH

3. The Government of the Republic of Zambia agrees that it will promptly negotiate rescheduling or refinancing arrangements with all other creditors on credits of comparable maturity.

The Government of the Republic of Zambia will inform in writing the Chairman of the Paris Club not later than six months after the entry into force of the present Agreed Minute of the progress made for this purpose in negotiations with other creditors.

4. The provisions set forth in the present 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., 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 June 30, 1996. Interest will be charged on those amounts.

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 Zambia which implements the present Agreed Minute. The Government of the Republic of Zambia 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-3. above. The Government of the Republic of Zambia acknowledges this arrangement.

7. The Government of the Republic of Zambia 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 Zambia undertakes to pay all debt service due and not paid, 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 or Observer Creditor Countries or their appropriate institutions, and not covered by the present Agreed Minute, as follows :

a) 100 % of the amounts of principal and interest (excluding late interest) due and not paid as at December 31, 1995 inclusive and 100% of the amounts of the principal and interest due from January 1, 1996 up to December 31, 1998 inclusive and not paid on the amounts referred to in Article III, paragraph 8. (i) of the Agreed Minute dated July 23, 1992 will be paid in 10 equal and successive semi-annual instalments, the first payment to be made on June 30, 2000 and the final payment to be made on December 31, 2004.

These amounts will not be subject to any further reorganization.

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 June 30, 1996.

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

Late interest will be charged on those amounts.

9. The Government of the Republic of Zambia will take the relevant administrative measures or extend existing measures to ensure that the private debtors in Zambia will be permitted to pay into the Bank of Zambia the local currency counterpart of their obligations past due or falling due, corresponding to their debt of any nature owed to or guaranteed by the Participating or Observer Creditor Countries or their appropriate institutions.

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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 Zambia 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 Zambia, 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 Republic of Zambia according to the terms and conditions set out in Article II, paragraph 2. above ;

- 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 Zambia and the Governments or the appropriate institutions of the Participating Creditor Countries will seek to conclude with the least delay and in any case six months after the entry into force of the present Agreed Minute.

3. Each Participating Creditor Country reserves the right to change its option chosen in the present Agreed Minute among options described in Article II paragraphs 2. A/ and 2. B/ hereabove not later than the date of the signature of the corresponding bilateral agreement.

4. a) The provisions of the present Agreed Minute will apply until December 31, 1996 inclusive provided that the Government of the Republic of Zambia continues to have an appropriate arrangement with the International Monetary Fund ;

b) they will also continue to apply from January 1, 1997 up to December 31, 1997 provided that the Executive Board of the International Monetary Fund has approved before March 31, 1997, a second annual arrangement under the Enhanced Structural Adjustment Facility with the Government of the Republic of Zambia and provided that the Republic of Zambia has made on due dates the payments referred to in the present Agreed Minute ;

c) they will also continue to apply from January 1, 1998 up to December 31, 1998 provided that the Executive Board of the International Monetary Fund has approved before March 31, 1998, a third annual arrangement under the Enhanced Structural Adjustment Facility with the Government of the Republic of Zambia and provided that the Republic of Zambia has made on due dates the payments referred to in the present Agreed Minute ;

d) for this purpose, the Government of the Republic of Zambia agrees that the International Monetary Fund will inform the Chairman of the Paris Club regarding the status of the Republic of Zambia's relations with the International Monetary Fund.

BM [Signature] K L MC [Signature] [Signature] [Signature] [Signature] [Signature]

5. To facilitate the implementation of the present Agreed Minute, the Government of the Republic of Zambia will deposit in the special account established with the Bank for International Settlements, the equivalent of at least SDR 2.4 million at the end of each month, commencing in May 1996 through December 1998 inclusive. The Government of the Republic of Zambia undertakes 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 January 1, 1996 up to December 31, 1998 inclusive under the terms of the bilateral agreements to be concluded pursuant to the present Agreed Minute. As specific payments under these agreements become due, the Government of the Republic of Zambia 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 January 1, 1996 up to December 31, 1998 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 Zambia, the Participating Creditor Countries agreed in principle to a meeting to consider the matter of the Republic of Zambia's debt service payments falling due after December 31, 1998 and relating to loans or credits pursuant to a contract or other financial arrangement concluded before January 1, 1983 provided :

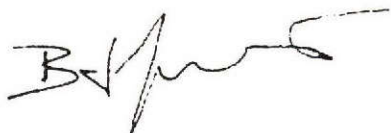
- that the Republic of Zambia continues to have an appropriate arrangement with the International Monetary Fund ;
- that the Republic of Zambia has reached with other creditors effective arrangements meeting the conditions described in Article III paragraphs 1., 2. and 3. above and has reported in writing to the Chairman of the Paris Club, pursuant to Article III paragraphs 3. and 7. above ;
- and that the Republic of Zambia has complied with all conditions set out in the present Agreed Minute.

7. If for the 3 years following the date of the signature of the present Agreed Minute, the Republic of Zambia maintains satisfactory relations with the Participating or Observer Creditor Countries, and notably fully implements all agreements signed with them and continues to have an appropriate arrangement with the International Monetary Fund, the Participating Creditor Countries agree in principle to hold a meeting by then to consider the matter of the Republic of Zambia's stock of debt.

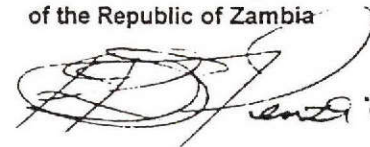
8. The representatives of the Government of each of the Participating Creditor Countries and of the Government of the Republic of Zambia agreed to recommend to their respective Governments or appropriate institutions that they initiate bilateral negotiations at the earliest opportunity and conduct them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

Done in Paris, on February 28, 1996
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 Zambia



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Delegation of Austria

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Delegation of Germany

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Delegation of Brazil

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Delegation of Italy

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Delegation of Canada

Richard Bastien

Delegation of Japan

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Delegation of France

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Delegation of the United Kingdom

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Delegation of the United States of America

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PARIS CLUB
PRESS RELEASE

**THE PARIS CLUB AGREES A DEBT RESTRUCTURING
FOR THE REPUBLIC OF ZAMBIA**

1. The Paris Club met on February 27 and 28, 1996 with representatives of the Republic of Zambia. The representatives of the Creditor Countries agreed to recommend to their Governments the principles of a reorganization of the maturities falling due during the period covered by Zambia's arrangement with the International Monetary Fund.

This represents a major restructuring of the Republic of Zambia's external debt ; it applies to payments due under loans from, and credits guaranteed by the Republic of Zambia's official creditors.

2. The representatives of the Creditor Countries noted that the Republic of Zambia's low per capita income and heavy debt burden call for strong adjustment efforts together with exceptional treatment of debt.

The representatives of the Creditor Countries welcomed the adoption by the Government of the Republic of Zambia of an economic and financial program supported by a first arrangement under the Enhanced Structural Adjustment Facility with the International Monetary Fund and stressed the importance they attached to the Republic of Zambia taking the necessary measures to ensure compliance with the programme.

3. The delegation of the Republic of Zambia asked for a concessional treatment of its debt. Creditor Countries agreed to debt reduction and rescheduling in order to foster economic growth and accelerate development in the country.

The agreement implements the "Naples Terms" agreed in December 1994 for the treatment of the poorest and most indebted countries.

4. The representatives of the Creditor Countries agreed to recommend a treatment providing for the reduction of the debt according to one of the following options :

- write-off of 67% of debt service obligations due under eligible loans and credits ; the remaining part to be consolidated at market interest rates over a period of 23 years (including a grace period of 6 years) ;

- or consolidation at concessional interest rates, so as to reduce by 67% in net present value the payments due on eligible loans and credits, with a repayment period of 33 years.

Recognizing the great value of contributions already made by the Creditor Countries in order to alleviate the burden of servicing ODA debt, the maturities on ODA loans will be consolidated on a very long term basis.

5. In a voluntary manner, each Creditor Country may also undertake limited debt for nature, debt for aid, debt for equity swaps or other local currency swaps.

6. Lastly, Creditor Countries also agreed under certain conditions to hold a meeting to consider, after a period of three years, the matter of the Republic of Zambia's stock of eligible debt.

Background notes

1. The Paris Club was formed in 1956. It is an informal group of Creditor Governments mainly from major industrialized countries (i.e. OECD). It meets on a monthly basis in Paris with debtor countries in order to agree with them on restructuring their debts.

2. The members of the Paris Club which participated in the Reorganization were representatives of the Governments of Austria, Brazil, Canada France, Germany, Italy, Japan, the United Kingdom and the United States of America.

3. Observers at the meeting were representatives of the Government of Denmark, as well as of the International Monetary Fund, the International Bank for Reconstruction and Development, the Secretariat of the UNCTAD and the Organization for Economic Cooperation and Development.

4. The delegation of the Republic of Zambia headed by Mr Ronald PENZA, Minister of Finance, expressed its thanks to the Participating members of the Paris Club for their help in strengthening the Republic of Zambia's economic and financial situation.

5. The meeting was chaired by Mr Bertrand de MAZIERES, Deputy Assistant Secretary at the Treasury at the Ministry of Economy, Vice President of the Paris Club.

6. The arrangement concluded by Zambia with the International Monetary Fund was approved by the Fund's Executive Board on December 6, 1995 ; the three year arrangement under the Enhanced Structural Adjustment Facility covers a period through end 1998.

Contact :
Jérôme HAAS
Secretary General of the Paris Club
Tél. : 33.1 44.87.73.61
Fax : 33.1 40.04.16.91

THE HEAD OF THE DELEGATION
OF THE REPUBLIC OF ZAMBIA

PARIS, February 28, 1996

Mr Chairman,

I acknowledge receipt your letter dated February 28, 1996, which reads as follows :

“The Participating Creditor Countries signed with you today an Agreed Minute on the consolidation of the debt of the Republic of Zambia.

The provisions of Article II of this Agreed Minute will come into force when the Chairman of the Paris Club notifies you.

The present Agreed Minute will be null and void if the above mentioned notification has not been given by December 31, 1996.

Please accept, Mr Minister, the assurances of my highest esteem.”



Penza:
Ronald PENZA

THE CHAIRMAN OF THE PARIS CLUB

ZAMBIA

PARIS CLUB: STATEMENT BY THE WORLD BANK REPRESENTATIVE

February 27, 1996

1. The Zambia program is in a particularly turbulent period at present, reflecting the tremendous difficulties in achieving sustainable economic reform and growth in nascent democratic societies, especially those with high dependence on external assistance. On the macroeconomic front, Zambia has continued its recent good progress, its four year reform program culminating in early December with the successful completion of the Rights Accumulation Program and the IMF's approval of a three-year SAF/ESAF. This has cleared the way for a Paris Club meeting scheduled for February 27-29. We believe the stage is set for a resumption of growth, particularly if the good rains continue. During this period, however, the international aid community has become increasingly troubled by a host of governance issues -- some associated with allegations of high-level corruption and some with perceived erosions of democratic rights and processes during this very tense pre-election period. The tension has steadily increased since former President Kaunda's decision to become the main opposition candidate. At the December meeting of the Consultative Group, the international aid partners conditioned future economic support on progress on the governance agenda, including the holding of free and fair elections. The impending elections are also creating pressures on government to satisfy particular constituencies. This could result in fiscal indiscipline and policy backsliding. In addition to political factors, ZCCM's continued progress towards privatization, and the implementation of an emergency survival plan in the interim, are vital to continued international support and to Zambia's prospects for economic growth.

2. Zambia's economy suffers from a very high debt service burden, heavy reliance on a single export product (copper), and a history of excessive public sector direction of and direct participation in the production of goods and services. Soon after Independence in 1964, the economy became dominated by parastatals and a one-party state. Rising copper prices helped the economy to grow at an average rate of 2.5 percent per annum during the first decade, but since 1975, declining production and falling world prices of copper (and the general deterioration in Zambia's terms of trade), coupled with the failure to develop a dynamic, diversified economy, caused an extraordinary overall economic decline. Attempts to support continued consumption through borrowing in the face of the economic decline exacerbated the debt problem.

3. After several stop and go reform efforts in the 1980s, a new government, elected in late 1991, embarked on an ambitious economic reform program aimed at restoring internal and external economic stability, getting the Government and the parastatals out of commercial activities, and focusing Government efforts on the creation of a positive enabling environment for the private sector and on the provision of necessary infrastructure and social services.

4. Zambia's **overall economic policy performance** has been good over the past four years. In particular, the pace of liberalization and decontrol has been impressive. Prices have been decontrolled and subsidies eliminated; the exchange rate and interest rates are market determined; quantitative restrictions on imports have been eliminated; and the tariff structure has been compressed and simplified. Parastatal monopolies have ended, crop marketing has been liberalized, and an ambitious privatization program is underway. Not everything has gone smoothly, however. In particular, it took several years before the high rates of inflation could be brought down, and macroeconomic stability is still to be fully achieved. Structural reforms are not yet complete, and some institutional aspects of the program have proven more difficult to implement, such as civil service reform. In addition, the private sector has been hard hit by high real interest rates, some sharp drops in the levels of protection from competing imports, deteriorating performance in the copper mines, the difficult transition from public to private sector marketing of maize, and several serious droughts. More fundamentally, the Zambian economy continues to suffer from serious structural problems owing to the legacy of excessive government intervention, a high dependence on copper, an exceptional level of external debt and vulnerability to drought. As a result, overall economic performance has not yet recovered. The economic program has remained on track, however. Despite numerous challenges over the past four years, including droughts, fiscal imbalances, aid shortfalls, and the unpopularity of many adjustment measures, the Government has consistently demonstrated a firm commitment to the program.

5. Some key economic variables for 1994 and 1995 are shown below. Gross domestic product continued to decline in 1995, due primarily to reduced output in agriculture and mining. Inflation remained troubling at nearly 40 percent, but still well below the levels of 1990-1993. The total budget deficit (including foreign debt service and grants) was below one percent of GDP in 1995. Government spending declined sharply as a percent of GDP (and in real terms) while the share of spending on the social sectors increased from 28 percent in 1993 to 34 percent in 1995. Non-traditional exports continued their strong growth, but the current account deficit widened in 1995 due to the disappointing levels of copper production and the increase in imports, caused in part by the need for US\$100 million in maize imports.

Major Economic Indicators

	1994	1995
GDP Growth	-5.1	-1.5
Inflation Rate	50.7	36.3
Gross Investment/GDP	9.1	12.5
Deficit/GDP (Domestic)*	2.8	0.4
Government Spending/GDP	31.0	28.1
Current Account Deficit*(US\$M)	170.2	305.0
Percent Growth of Non-Metal Exports	51.3	7.9
Nominal T-Bill Interest Rate (91 days)	100.3	45.3 **

* Excluding grants and external debt service

** Average of first three quarters

6. The **prospects** for renewed growth in 1996 are good, provided that promising early rains continue and provided that a short-term program to shore-up ZCCM's operating efficiency (during the interim period prior to privatization) is successful. The growth in GDP is expected to be 6 to 9 percent in 1996, depending on performance in agriculture and mining. (Based on plantings and rainfall to date, very preliminary estimates suggest crop production could increase by over 30 percent in 1996.) The government's domestic balance (comparing domestic revenues without grants to domestic expenditure without interest on the external debt and donor financed capital spending) is projected to be in surplus by one percent of GDP. With strong fiscal and monetary control and with maize prices projected to decline after May, inflation should fall to 10 percent by end-1996. Revenue is projected to be maintained at about 19 percent of GDP, with improvements in tax administration permitting some lowering of tax rates. The improved macro environment, resumption in economic growth, and declining domestic debt service payments will permit larger budget allocations for capital expenditures and social sector spending. This macro framework is described in the recent Policy Framework Paper distributed to the Bank and Fund Boards in December.

7. One of the most challenging aspects of Zambia's economic reform program is to establish a viable and self-reliant **balance of payments** that is compatible with Zambia meeting its external obligations and achieving modest economic growth. This is particularly difficult because Zambia faces both a deteriorating current account deficit due to the limited short-term prospects for copper exports as well as an exceptional level of external debt, nearly half of which is multilateral. Mining exports (which account for about 85 percent of Zambia's total exports) are likely to be lower in real terms (i.e., in terms of the ability to purchase imports) in the year 2000 than they are now, even with the best of policy implementation and successful privatization (although copper exports could recover after 2005 with sufficient new investment). Thus, even with maximum efforts to expand other exports and to limit the growth in the demand for imports, modest

levels of economic growth will mean an increase in the current account deficit over the coming decade. At the same time, Zambia's external debt of nearly twice annual GDP will require substantial payments even with successful negotiations with creditors. Thus achieving both economic growth and a movement towards greater self-reliance will require extraordinary levels of donor grant assistance and debt forgiveness, which will in turn require a particularly close partnership with the international community.

8. Zambia's **external financing needs** for 1996 were discussed at the Consultative Group (CG) Meeting held in Bournemouth, England in December 1995. The need for balance of payments assistance in 1996 is estimated to be about US\$450 million, less whatever rescheduling assistance Zambia receives from the Paris Club (scheduled to meet on Zambia in February 1996). The preliminary indications from the CG meeting were that donors had about US\$69 million in carry-over assistance (assistance that had originally been scheduled for 1995) plus perhaps US\$70 million in new aid. The carry-over from IDA is estimated at US\$66 million. Adding the first tranche of this proposed operation (US\$45 million) to the second tranche of ERIP, the existing adjustment operation, (US\$70 million) plus the IDA reflows, would bring total IDA balance of payments assistance to about US\$190 million in 1996. Together with the donor assistance of US\$139 million, this should be sufficient to fund the 1996 program, provided Zambia achieves a rescheduling agreement with the Paris Club.

9. The Bank's program in Zambia includes adjustment lending, investment lending, economic and sector work, and aid coordination. Yearly Bank adjustment operations have been aimed at strengthening macroeconomic stabilization and market liberalization, supporting privatization and parastatal reform, reducing structural constraints on the delivery of social services, and strengthening the social safety net. In addition, IDA supports fourteen investment operations in agriculture, health, education, urban water and sanitation, and social recovery, and in technical assistance in mining, the petroleum sector, transport engineering, and financial and legal reform. The Bank is now shifting its investment lending towards Sector Investment Programs, whose aim is to increase public efficiency by avoiding the overlap, inconsistency, and administrative overload associated with a large number of separate donor-funded projects within each sector. As umbrella operations in which the Government takes the lead, SIPs are expected to promote dynamic growth both broadly, through improving the efficiency of service delivery within the sector, and in a targeted way, by financing pilot projects with a more immediate impact on the poor. They also provide long-term capacity building within the sector. Such projects have been approved in health (1994) and agriculture (1995). Future IDA investment operations will consist predominantly of similar operations under preparation in roads, environment, education and power, as well as a small number of narrowly targeted operations to achieve needed short-term gains not best addressed under the SIPs. The proposed base case IDA Lending program is shown below.

(BASE CASE)

Operation	FY	Credit (\$m)	Tot./FY
Economic Recovery and Investment Promotion	96	140	
Economic and Social Adjustment Credit II	96	90	
ERIP TA	96	20	250
SAL III	97	90	
Enterprise Development	97	45	
<i>Environment Support Program</i>	97	20	155
SAL IV	98	90	
<i>Education Sector Investment Program</i>	98	30	
<i>Road Sector Rehabilitation Program</i>	98	70	190
SAL V	99	70	
<i>Power Sector Rehabilitation Program</i>	99	50	120
SAL VI	00	70	
<i>Health Sector Investment Program II</i>	00	50	
<i>Urban Development Sector Investment Program</i>	00	50	170

Legend: **Bold** - Adjustment Operation
 Italic - Sector Investment Program

10. To support Zambia's efforts to achieve sustainable poverty-reducing growth, staff propose lending amounting to roughly US \$450 million and US \$550 million over the next three years. These figures are well above the norm primarily because of Zambia's exceptional level of external debt, increasing the need for balance of payments support. These estimates also include relatively high levels of investment lending because public investment was sharply curtailed during the difficult period of macrostabilization. Consequently, relatively high levels of investment (primarily in the form of sector investment programs) are necessary to rehabilitate vital infrastructure and services to support resumed economic growth and poverty reduction. If the overall program is on track, coupled with sector policy, institutional reform and investment programming as anticipated, and absent any reversals in the currently positive disbursement trends, the lower lending figure in the range is more probable (the base case scenario). If the economic reform program in Zambia continues on track and the sectoral reforms take place faster than anticipated, lending at the highest figure in the range would be possible (the high case scenario). However, if the Zambian program suffers significant policy reversals and delays, this would occasion a sharp and immediate decline in Bank assistance.

Paris Club Meeting on Zambia
February 27, 1996
Statement by the IMF Staff Representative

Approval by the IMF Executive Board of a three-year ESAF arrangement for Zambia on December 6, 1995 was the culmination of a four-year effort to clear Zambia's arrears to the Fund and followed completion of a rights accumulation program (RAP) that had been endorsed by the Fund on July 17, 1992. Late in 1991, the newly elected Government of President Chiluba had embarked on a process of economic liberalization and macroeconomic stabilization aimed at reversing the prolonged economic decline that Zambia had experienced in the 1970s and 1980s. By the beginning of 1995, freeing of markets was by and large complete: subsidies and price controls had disappeared, the determination of exchange rates and interest rates had been left to the market, exchange and trade controls (including capital controls) had been eliminated, and the level and dispersion of import duties had been reduced. The triple digit inflation of the early 1990s had been reduced to 35 percent.

Throughout the RAP there had been recurrent episodes of macroeconomic instability, reflecting the difficulty of predicting the macroeconomic consequences of carrying out such a major transformation of the economy (particularly in the absence of reliable statistics) as well as policy slippages, but also reflecting recurrent drought and fluctuations in the balance of payments assistance provided to Zambia, in part to ensure that external debt service did not impose too large a burden on the economy. Another episode of instability occurred early in 1995, centered around the collapse of Meridien BIAO Zambia, one of Zambia's largest banks and the

centerpiece of an international banking network. Government and Bank of Zambia support for the bank between February and May 1995 amounted to the equivalent of 1 1/2 percent of GDP, and US\$24 million of BoZ reserves held with the international part of the bank became unavailable. Lapses in control of fiscal expenditure also contributed to the instability. In May 1995 Meridien was closed and the Government decided to take strong action to contain the fiscal deficit through tax increases and heightened expenditure control, particularly in relation to defense.

With this strengthening of macroeconomic policy a program for the three years beginning July 1, 1995 was developed. After a period of observation, on December 4, 1995 the Fund's Board approved the waivers necessary to complete the RAP. Zambia cleared its arrears of SDR 830 million, with the help of bridge loans, and on December 6 the Fund approved SAF/ESAF arrangements providing, through the encashment of rights, the financing needed to repay the bridge loans. Five further disbursements of SDR 10 million each are to become available on the completion of program reviews and approval of annual arrangements during the three-year period of the ESAF arrangement.

The program aimed to achieve growth rates of 6 percent over the years 1996-1998 and to bring the annual rate of inflation down to 4 percent by the end of that period. It also aimed to strengthen the balance of payments to permit a substantial accumulation of international reserves, particularly through increasing non-traditional exports. On the policy side the aim was to achieve a surplus on the domestic budget (that is, the budget excluding external debt service, external financing, and externally financed project

expenditures) of one percent per annum. Monetary policy was to be strict, and the exchange rate was to remain market-determined. The program included a number of important structural reforms aimed at complementing the liberalization that occurred during the RAP: an acceleration of privatization, including that of ZCCM, the mining parastatal; strengthening of banking regulation and supervision; and civil service reform. It also embraced major reforms of the tax system, beginning with a value-added tax introduced in July 1995.

With the main exception of very poor performance by ZCCM, macroeconomic policy implementation through December appears to have been broadly as planned. The copper contingency element of the program was modified to take account of production problems at ZCCM just before the program was considered by the Fund Board, but as it turned out the deterioration in the company's cash flow was much more serious than had been anticipated, and the company was provided emergency relief through further release of funds that had been tied up in treasury bills under the contingency mechanism. As a result, key performance criteria were missed. The primary domestic surplus was 3.0 percent of GDP, as targeted, but because of the program's adjustment for ZCCM's financial performance, the performance criterion on net claims on government was not observed. Similarly, the net domestic assets of the Bank of Zambia would have been within program ceilings, were it not for the encashment of K32 billion in treasury bills by ZCCM. In the face of ZCCM's problems and a US\$40 million shortfall from programmed levels of balance of payments assistance, the BoZ moderated its net sales of foreign exchange to the market; but the recovery of net international reserves from the low

point recorded in June at the end of the Meridien crisis was only US\$45 million, somewhat less than the targeted US\$61 million. 1/ More generally, the continued depreciation of the kwacha in the aftermath of the Meridien crisis was somewhat more than expected, and with maize meal prices rising sharply as domestic supplies were exhausted towards the end of the year the twelve-month rate of inflation reached 45 percent. Interest rates rose as the Bank of Zambia withdrew liquidity to offset injections associated with support for a number of small banks, two of which were closed by the end of the year.

In the early part of 1996, there were substantial sales of foreign exchange for maize imports in the face of low ZCCM earnings (compounded by unexpectedly low copper prices) and a further shortfall from programmed levels of balance of payments assistance. Given the consequences of a sharp depreciation of the kwacha for the already sharply rising maize price, the BoZ also felt constrained to continue intervening to moderate the rate of depreciation. Altogether reserves fell by over US\$60 million, leaving usable reserves at critically low levels, and speculative pressures continued to mount. In mid-February, with the bulk of the necessary maize purchases completed, net intervention stopped; in view of market

1/ Three other performance criteria were missed. Not all domestic arrears from 1994 were cleared; the authorities have indicated that they were unable to do so because of the severe fiscal squeeze resulting from delays in the availability of balance of payments assistance. External arrears of US\$7 million were incurred because of an inadvertent delay in payments to Italy, which has since been corrected. The banking regulation on foreign exchange was to have been gazetted by December 31, but the bureaucratic process of legal review has resulted in delay; that process is now almost complete.

expectations of a sharp depreciation of the kwacha, the currency has since been depreciating rapidly.

A staff mission is just returning from Zambia after conducting discussions for the 1996 Article IV consultation and beginning discussions for the mid-term review of the first annual program under the ESAF arrangement. The most important item on the agenda was the need to strengthen strategic and financial management at ZCCM in light of recommendations by a recent World Bank mining mission, but the mission also discussed macroeconomic policy problems and a range of structural issues. The 1996 budget, announced on January 26, included substantial further tax reforms, including a broadening of the base of payroll taxes and customs duties while reducing tax rates. The reforms were designed to be revenue neutral, but the need to provide substantial tax relief to ZCCM means that revenues are projected to decline relative to GDP. The decline is budgeted to be matched by reductions in expenditures, which will require very strict expenditure control in this election year. The mission also reviewed with the authorities their plans to begin rebuilding international reserves through continuing flexibility of the exchange rate and a tight monetary policy. It is anticipated that the mission will return to Lusaka in April in an effort to complete discussions for the program review, by which time we expect the Government to have approved a plan for privatization of ZCCM and to have completed its implementation of emergency measures to strengthen the company's performance, as well as carrying out the necessary strengthening of macroeconomic policies. It will also be important that

Zambia works with donors over this period to facilitate disbursement of balance of payments assistance.

Zambia's debt service performance has improved greatly in the last two years, and occasional small arrears have reflected inadvertent omissions or difficulties in communicating with creditors. Moreover, after the prospective Paris Club rescheduling, it is anticipated that Zambia's cash debt service requirements over the next few years will be less than 20 percent of exports, down sharply from the ratios experienced under the RAP. Zambia will nonetheless remain one of the world's most heavily indebted countries, and one for which debt sustainability is very much in doubt. Zambia is therefore not requesting a stock of debt rescheduling at this time. It will be important that the international community work with Zambia to develop effective solutions to its debt service difficulties in a framework of sustained adjustment by Zambia.

The financing gaps for the years 1995-98 average about US\$200 million annually. If the Paris Club and other bilateral creditors provide the requested comprehensive reschedulings, Zambia will be asking donors to fill the residual gaps at the annual meetings of the consultative group for Zambia. (Donors gave tentative indications of additional balance of payments support for 1996 at the December 1995 Consultative Group meeting in Bournemouth, United Kingdom, that is expected to be adequate to close the residual gap for 1996.)

The Government of Zambia has shown determination in carrying out very rapid and far-reaching structural reforms as well as greatly strengthening its debt service performance, but has encountered recurrent problems in

macroeconomic stabilization and in coming to grips with the problems of ZCCM. Over the next three years under its ESAF-supported program it expects to complete its reforms and achieve its goal of macroeconomic stability, thereby setting the stage for rapid economic growth and the eventual achievement of balance of payments viability. Its prospects for success, however, depend crucially on continuing generous financial support by the international financial community, including rescheduling by the Paris Club.

PARIS CLUB MEETING ON ZAMBIA
27 February 1996

Statement by the UNCTAD representative

My remarks will focus on the vulnerability of the Zambian economy. The country's external payments situation is extremely fragile, because of many factors. First, the drought, which has hit Zambia in three of the past four years, exacerbating poverty, especially in rural areas. Second, the lack of export diversification. Copper, together with cobalt, accounts for 85 per cent of exports, but near-term prospects for copper exports are bleak. International copper prices are expected to decline by as much as 25 per cent in real terms over the next three years. While the fall in copper production from existing mines is expected to slow down, production from new mines will come on stream as late as the year 2003.

Prospects for non-traditional exports are, however, encouraging. But these exports are starting from a low base and will, therefore, play a small role in the next several years. At the same time, achieving a satisfactory economic growth, which is necessary to reverse the 15 per cent decline in per capita income over the past six years, would require a sharp increase in imports. As a result, Zambia will face a very tight current account situation for many years to come. The current account deficit is expected to reach 14 per cent of GDP in the year 2000 and to remain above 10 per cent in following five years.

The fragility of the Zambian economy is exacerbated by the country's external debt burden, which is exceptionally large and constitutes a major impediment to investment and growth. Within the new category of heavily indebted poor countries, Zambia's debt indicators are among the most worrisome. Even after consecutive flow reschedulings on Naples terms with a 67 per cent reduction, the debt service ratio is expected to peak at 27 per cent in 2001-02, because of large repayments to the Fund and to remain above the threshold of 20 per cent until 2005.

Within the international community, there is a broad consensus that Zambia's debt burden is clearly unsustainable. Even if Zambia pursues sound adjustment policies, it will be unable to escape from the debt trap for at least the next ten years under current debt relief mechanisms.

Today, Paris Club creditors, which account for one third of Zambia's debt, can do much to alleviate the country's external financial constraint. We hope that they will grant Zambia the maximum relief, i.e. above the standard Naples terms, as requested by the Government. An exceptional situation calls for an exceptional treatment.

But, unfortunately, this action by the Paris Club will not be enough. It will need to be accompanied by a continued high level of concessional financing, further bilateral debt reduction and, most of all, multilateral debt relief. Multilateral debt accounts for as much as 50 per cent of Zambia's total debt. Removing the multilateral debt overhang is a prerequisite for sustained growth and high investment levels.

IADB SPEECH TO THE PARIS CLUB
HONDURAS FOREIGN DEBT
FEBRUARY 29, 1996

The decade of the 80's was one of economic uncertainty in Honduras, characterized by ups and downs in the evolution of the GDP, high unemployment, high fiscal and balance of payments deficits, growing currency overvaluation and serious structural problems in the state apparatus and the economic sectors, all of which resulted in a high external debt. In 1990, the Government began a Structural Stabilization and Adjustment Program, supported by the IMF's Enhanced Structural Adjustment Facility (ESAF) and the multilateral banks, which seeks to reduce the fiscal imbalances, improve the State's efficiency and increase the private sector's participation in the economy. In order to mitigate the impact of the adjustment process on the poorest population groups, this Program was accompanied by two important projects: the Social Investment Program (FHIS) and the Family Assistance Program (PRAF), which received significant financial support from IADB.

During the first years of the Adjustment Program application, as a result of important measures such as exchange rate liberalization, customs and tax reform, the financial system liberalization and the abolishment of some controls and subsidies in agriculture prices, significant improvements were achieved in the economy which resulted in GDP recovery and reduction of the fiscal deficit and inflation.

However, in 1994 the fiscal deficit rose again due to high public investment expenditures, thus setting the economy back. A severe drought affecting productive activity and the generation of electric power compounded the situation, all of which resulted in a negative effect on economic growth, the fiscal deficit and the balance of payments. By October 1994, the executive branch and the Legislative Assembly approved a set of measures to redirect the country towards the adjustment path.

In 1995 the Government was able to reach most of the IMF's economic adjustment goals. GDP grew 4% comparing favorably with the 1.5% reduction in 1994. By the end of 1994,

the fiscal deficit decreased from 7.5% of GDP to 3.6% and fiscal revenue surpassed the goal of US\$600 million due to measures taken on expenditure control and increased tax collection. Exports increased and international reserves reached US\$250 million, the highest in the last few years. Although some targets such as inflation fell behind (28% vs the projected 12%), important measures were taken in the last semester of 1995 to slow down its growth.

Of great relevance from a structural perspective is the Government's State Modernization Program under implementation. By means of unprecedented legislative changes, the restructuring of the state in its size and functions is under way, reforming key government institutions and allowing the private sector participation in the provision of public services and some infrastructure activities. This will reduce the risk of a recurrence of the 1994 macroeconomic imbalance.

Until the fourth quarter of 1995, the Program was supported by the IADB and the World Bank, through financial, energy and agricultural sector adjustment loans and by a fiscal administration reform project approved by the IADB earlier that year. Presently all of these projects are under execution with very successfully implemented reforms. In the energy sector institutional reform, the actions taken towards fuel market liberalization and the introduction of new tariffs are worth mentioning. In the financial sector, the approval of the Financial Institutions Law in 1995 and the amendments to the Central Bank law will allow this sector to operate more efficiently within a market structure.

In December 1995 the IADB's Board of Directors approved a US\$160 million loan to support the Public Sector Reform Program, whose objective is to improve the scope and efficiency of the public services (telecommunications, civil aeronautics and energy); reduce expenditures of public sector institutions and improve State performance; reduce employment and rationalize salaries; and improve the financial administration. This loan included US\$100 million to improve Honduras' foreign debt profile.

The above projects and others under preparation, such as the Water and Sanitation Sector Program, will improve income generation, increase expenditure efficiency and allow better planning of the public indebtedness. In the long term, the reforms seek to improve the efficiency of the sectors and to provide the population with access to better services.

In the legislative field the main advances are: approval of the Telecommunications Framework Law and HONDUTEL's Reform, the Electric Sector Reform Law, the Aviation Services Concession Law, the Financial Institutions law, the Revenue Mechanisms Restructuring Law, the Public Sector Expenditures Reduction Law and the Natural Resources Framework Law. The Public administration Reform law, the Tax Code, the Civil Aeronautics Framework law and the creation of the Civil Aviation Services Enterprise are ready for consideration by Congress. All of these together reflect the deep transformations taking place in the Honduran society.

In political matters, the moral revolution campaign deserves special mention. In the two years of President Reina's government, important goals have been achieved reducing military influence, including: the transfer of the police to civilian control, the change from compulsory military service to a volunteer scheme, and the fight against corruption. In the area of justice, important actions have taken place such as the trials against officials of past and present governments, as well as against military personnel involved in disappearances in the 80's. At the international level, Honduras became in 1995 a non permanent member of the United Nations Security Council.

Despite these achievements, the country still faces two serious obstacles: the social problem and the debt overhang. The former is reflected in high poverty indicators (70% and 60% of the population are poor and destitute, respectively). Annual per capita income is one of the lowest in Latin America, amounting to around US\$600 in 1995. The 3% population growth rate is high, generating a labor force that grows faster than the absorptive capability of the labor market. Education levels are very low, near 32% of the population older than 10 years of age have never attended school.

By the end of 1995 the external debt was US\$4.1 billion (103% of GDP). Debt service represented 34% of exports and 12% of GDP draining valuable resources that could be used for social and economic development. These indicators are significantly above Latin American averages (debt/GDP 45%, service/exports 30%, service/GDP 5.1%). This situation is even more critical due to high deficits in the current account of the balance of payments and in the fiscal accounts. Of the external debt, 52% is with multilateral organizations, even though a high proportion of this is under concessional terms.

The government, supported by the IADB, has defined an external debt management strategy, which will allow it to reduce the pressure of interest and amortization payments on the fiscal and balance of payments accounts. To this end, the following mechanisms are being considered: a) the use of disbursements from new policy reform concessional loans to improve the profile of the ordinary debt with the multilateral banks (the Public Sector Reform Loan signed with the IADB is a first step towards this end); b) the attainment of international financial support for which resources have been recently negotiated with the Governments of the Netherlands and Switzerland to defray multilateral debt service; c) the preparation of a debt reduction program with the Central American Bank for Economic Integration which has been initiated with IADB support; and d) limiting new debt to priority projects and in concessional terms.

As a very important element in the continuation of economic recovery and transformation, the IADB recommends the support of the Paris Club in the most favorable terms. This will enhance investors trust attracting them to the country and will allow the Government to better allocate resources to attend the social problems which are a major obstacle to the development in the medium and long term.

Statement by the IMF Representative at the
Meeting of the Paris Club for Honduras
February 29, 1996

In mid-1992 Honduras adopted a medium-term economic and structural reform program supported by a three-year ESAF arrangement. The Fund's Executive Board approved the arrangement in July 1992 and in January 1995 approved the second annual arrangement. On December 18, 1995, the Executive Board completed the midterm review under the second annual arrangement. A mission will visit Tegucigalpa next week to conduct the Article IV consultation discussions and to negotiate a program to be supported by the third annual arrangement under the ESAF that will essentially cover 1996.

Performance under the economic program for 1992-95 initially was good, but financial imbalances worsened in the run-up to the November 1993 presidential elections because of significant policy slippages. Following implementation of corrective measures by the new authorities who took office in January 1994, economic performance began to improve by mid-1994 with the public sector deficit declining by 3 percentage points to 7 percent of GDP and a strengthening of the balance of payments. However, inflation accelerated sharply and real GDP contracted by 1.5 percent. Honduras remains one of the poorest countries in the Western Hemisphere, with a GDP per capita of about US\$750 and a heavy external debt burden.

The medium-term program adopted in early 1995 aims at lowering inflation from almost 30 percent during 1994 to 5 percent during 1997,

raising gross international reserves from 1.7 months to 3 months of merchandise imports, while achieving 4 percent annual economic growth. These objectives are to be supported by a further significant reduction in the fiscal deficit, a tightening of monetary policy, and important structural reforms.

The outcome for 1995 was encouraging. Economic growth resumed (real GDP grew by 4 percent), strong fiscal adjustment continued on the basis of a tax package introduced in late 1994 (the deficit of the nonfinancial public sector declined by 4 percentage points to 3 percent of GDP), and the balance of payments strengthened. The external current account deficit (excluding official transfers) declined by 4.5 percentage points to 7.5 percent of GDP, reflecting the boom in coffee prices and the continued strong growth of the nontraditional export sector, while gross reserves reached 2.1 months of imports.

Nevertheless, owing to a sizable monetary expansion for most of the year, the rate of inflation declined only marginally to 27 percent in 1995. Following the passage of the Financial Reform Law in late-1995, the Central Bank and the Superintendent of Banks have strengthened mechanisms to enforce commercial banks' compliance with legal reserve requirements, to place reserve requirements on investment banks, and to engage in open market operations; application of these instruments was reflected in a decline in the 12-month rate of inflation to under 24 percent in January 1996.

Negotiations on rescheduable external arrears with Colombia were completed in December 1995 and negotiations are continuing with El Salvador and Guatemala. In early 1996, the Honduran authorities prepaid US\$100 million in ordinary credits from the IDB, financed by a new disbursement from the IDB's concessional resources. This operation is expected to reduce debt service obligations by about US\$15 million a year in the next few years.

In the structural reform area, during 1995 public sector employment was reduced, public sector and energy sector reform programs were agreed with the World Bank and IDB, the Financial Sector Reform Law and amendments to the Central Bank Law to enhance the flexibility of monetary policy were passed, a new Framework Law for the Telecommunications Sector in support of the privatization strategy was approved, and the exchange system was made somewhat more flexible.

The 1996 program will aim at continued economic growth, a further strengthening of the balance of payments, and a significant decline in inflation. This would be achieved by a sustained policy effort that includes tight monetary and fiscal policies and the introduction of a flexible exchange system. On the structural side, particular emphasis will be placed on actions to improve the finances of the financial and nonfinancial public sector through a further downsizing of public sector employment, privatization of public enterprises, and the recapitalization of the Central Bank.

The current account deficit would decline from 7.5 percent of GDP in 1995-96 to 6.7 percent in 1997. Honduras is projected to have a gross financing need averaging about US\$700 million a year in 1996-97 to cover the projected external current account deficit, official debt amortization and a build-up of official reserves to 3 months of imports at end-1997. Private inflows, including direct investment, are expected to average about US\$125 million a year. Gross disbursements of loans, on concessional terms, from official bilateral and multilateral sources as well as official grants are expected to amount to US\$500 million per year. These flows would leave residual financing gaps of about US\$75 million a year during 1996-97.

The Fund staff welcome the efforts of the Honduran authorities to implement strong macroeconomic and structural reforms to raise growth and reduce poverty. The Fund staff notes that Honduras' external situation remains vulnerable to external shocks (exports are concentrated in agricultural based products) and believe that the authorities' effort deserves the full support of the international financial community.

PARIS CLUB MEETING ON HONDURAS
29 February 1996

Statement by the UNCTAD representative

Over the past two years, the Honduran Government has made considerable progress towards macroeconomic stability, by taking a series of measures to tackle macroeconomic imbalances. The public sector deficit declined sharply from 10.3 per cent of GDP in 1993 to 3.2 per cent in 1995, when the Government was able to attain a primary surplus equivalent to 2.5 per cent of GDP. At the same time, the external current account deficit almost halved, falling to 7.5 per cent of GDP in 1995.

Despite these improvements and the resumption of growth in 1995, the country is still afflicted by severe structural weaknesses. Honduras is one of the poorest countries in Latin America. Its social indicators are as disquieting as those of many African countries. The poor state of basic infrastructure is a major obstacle to private investment. Its export sector is relatively concentrated, and the major products face uncertain price prospects. The near-term outlook for world coffee prices is not encouraging. Consumption in major importing countries is declining, and the retention programme of the producing countries remains in doubt. Coffee prices are expected to drop by 30 per cent in dollar terms over the next two years. And banana prices are likely to stagnate in real terms through the year 2000. It is true that Honduras has a strong potential in non-traditional exports. To exploit such potential, however, requires increased investment.

These structural weaknesses are exacerbated by the external debt burden. In the absence of debt relief, debt service obligations would absorb more than 30 per cent of export earnings in 1996 and remain well above 20 per cent through 1999. This situation is clearly unsustainable. Moreover, the fiscal impact of the debt service is exceptionally high. Within the new group of heavily indebted poor countries, Honduras holds an undesirable record. Its ratio of external debt service to Government revenue, at 82 per cent, is among the highest. In 1997, this ratio would still reach as much as 57 per cent, even after a 50 per cent reduction in Paris Club debt.

In the baseline scenario, heavy debt service obligations would contribute to generating financing gaps averaging close to \$70 million over the next ten years. These gaps could be significantly higher if the external environment is worse than that projected in such scenario. The Honduran economy is extremely vulnerable to external shocks, such as lower world prices for coffee and bananas, lower growth of non-traditional exports, lower volume or harder terms of bilateral financing.

Under these circumstances, we hope that debt relief from the Paris Club will be generous enough to allow Honduras some room for manoeuvre to cope with the vagaries of the international economic environment.

HONDURAS

The Paris Club

Statement of the World Bank Representative

February 29, 1996

In 1990, the Government launched a comprehensive program of stabilization and structural adjustment aimed at reversing the stagnation and correcting macroeconomic imbalances that had developed during the 1980s. The program, which was supported by the IMF and the World Bank, included tax reform, elimination of price controls and adjustments to public utility tariffs, liberalization of the exchange rate and interest rates, reductions in the level and dispersion of import tariffs, and expenditure reductions. In addition, the Government took steps to protect the poor through the creation of an effective Social Investment Fund and the rationalization of income transfers. The effect of this program was swift and positive. After no growth in 1990, the economy expanded by 3.3 percent in 1991 and 5.6 percent in 1992. By 1992, inflation had fallen to 8.8 percent and the fiscal deficit had fallen to 4.8 percent of GDP.

Much of this progress, however, was lost in the run up to the national elections in November 1993. Largely as a result of expansionary fiscal policies, the fiscal deficit doubled to over 10 percent of GDP, inflation rose to 11 percent and GDP expanded by 6 percent. The current account deficit reached 9.2 percent of GDP and, with the Central Bank intervening in support of the exchange rate, foreign reserves declined markedly.

The new Administration, inaugurated in January 1994, faced a difficult economic situation, which deteriorated further during the first half of 1994. During the second half, the Government took important measures to stabilize the economy, especially on fiscal policy. Through a combination of tax measures and curtailment of expenditures, the Government reduced the deficit to 7.5 percent of GDP in 1994. Major electricity shortages due to a severe drought and the effects of the economic crisis led to the contraction of GDP by 1.5 percent in 1994.

In early 1995, the Government reached agreement with the IMF on the second year of the ESAF arrangement. During 1995, the Government was able to reduce the fiscal deficit to below 4 percent of GDP and the economy recovered, growing by about 4 percent. Progress on reducing inflation, however, has been slower than expected, and will require tighter monetary policies coupled with further efforts to strengthen fiscal policy.

During 1995, the Government continued to make progress in the implementation of structural reforms. On the basis of this progress, IDA disbursed the second tranche of the Agriculture Sector Adjustment Credit, and is currently processing a disbursement of the third and final tranche of the Energy Sector Adjustment Credit. Measures in the energy sector included liberalization of the petroleum subsector, increases in electricity tariffs and steps to open up power distribution and generation to the private sector. Important legislation was approved, including a Telecommunications Law to

open the sector to competition and private sector investment, and two Financial Sector Laws, designed to improve the regulatory and supervisory framework of the financial system. The Government presented to Congress laws to reform public administration, civil aviation and tax administration. In addition, the Central Bank increased the flexibility of the foreign exchange auction and agreed with the IMF on implementation of a market-based exchange regime to be introduced during 1996.

The Government realizes that to continue to re-establish long-term fiscal and macroeconomic stability, it is critical to address the expenditure side of the fiscal imbalance. Although fiscal revenues compare favorably to other countries in the region, public spending is very high. While there is an urgent need to reduce public spending to ensure a more stable fiscal base, there is an equally important need to improve the efficiency of these expenditures. In response, the Government has prepared and begun implementing a Public Sector Modernization Program, with the support of IDA and IDB. Its objectives are to improve public services through greater private sector participation, curtail public expenditures by restructuring public institutions and employment, and improve public management to enhance efficiency, transparency and accountability. The Program will be supported through a US\$55 million IDA Public Sector Modernization Structural Adjustment Credit, expected to be presented to the Board in the first half of 1996. The operation would be complemented by a Technical Assistance Credit to assist the Government with implementation of the reforms.

IDA's assistance strategy focuses on three main objectives of the Government's medium-term development program—poverty alleviation, public sector reform and promotion of private sector development, and sustainable management of natural resources. Over fiscal years 1996-98, the proposed IDA assistance program could include up to 3 operations, complemented by studies and technical advice. Total lending over the period would be in the order US\$150-180 million, depending on IDA availability and country performance. Honduras may also be eligible for IDA Reflows which could potentially add disbursements of about US\$25 million a year.

In sum, Honduras has made important progress in correcting the macroeconomic imbalances generated in 1993 and deepening the process of structural reforms. However, much needs to be done to further strengthen the country's fiscal and external positions. Although the prospects for maintaining the recent economic improvements are reasonably good, Honduras will need to continue to rely on external assistance given the exceptionally high debt service obligations and the need to restore its international reserve position. Moreover, the Government's public sector modernization effort will involve substantial transitional costs. Assistance by the international community to reduce Honduras' external debt burden would provide valuable support, not only to improve the economy's external position but also to provide much-needed fiscal space to cover the transitional costs of the Government's comprehensive public sector reform effort.

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

I- A/ PREAMBLE

1. The representatives of the Governments of Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Spain, Switzerland and the United States of America, hereinafter referred to as "Participating Creditor Countries", met in Paris on February 29 and March 1, 1996 with representatives of the Government of the Republic of Honduras in order to examine the request to alleviate the Republic of Honduras' external debt service obligations. Observers of the Governments of Austria and the United Kingdom as well as of the International Monetary Fund, the International Bank for Reconstruction and Development, the Interamerican Development Bank, the Secretariat of the UNCTAD and the Organization for Economic Cooperation and Development also attended the meeting.

2. The delegation of the Republic of Honduras 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 arrangements under the Enhanced Structural Adjustment Facility with the International Monetary Fund.

3. The representatives of the International Monetary Fund described the Republic of Honduras' economic situation and the major elements of the adjustment program adopted by the Government of the Republic of Honduras and supported by arrangements under the Enhanced Structural Adjustment Facility with the International Monetary Fund. The second annual arrangement approved by the Executive Board of the International Monetary Fund on January 30, 1995 covers the period ending on January 29, 1996 and involves specific commitments in both the economic and financial fields.

4. The representatives of the Governments of the Participating Creditor Countries noted the strong measures of adjustment in the economic and financial program undertaken by the Government of the Republic of Honduras and stressed the importance they attach to the continued and full implementation of this program and, in particular, the revitalization of the productive sector of the economy.

They took note of the Republic of Honduras' chronic balance of payments problems and very heavy debt service obligations, in conjunction with very low per capita income, which were deemed, given the strong adjustment program noted above, to warrant exceptional treatment of the debt.

B/ DEFINITIONS

1. For the purpose of the present Agreed Minute, "**the Appropriate Market Rate**" means the rate, rounded to the nearest 1/16th of a point, and conditions of interest which will be determined bilaterally between the Government of the Republic of Honduras and the Government or the appropriate institutions of each Participating Creditor Country.

2. The authenticated tables attached to the present Agreed Minute and referred to hereafter form an integral part of the present Agreed Minute. As concerns the repayment schedules indicated in Tables A1, A2, A6 and D1 it is understood that "semester" means a period of six successive months. The first semester referred to in the Tables is the period beginning on January 15, 1997. For each semester it is understood that the due date is the first day of the corresponding semester.

3. 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.

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II- RECOMMENDATIONS ON TERMS OF THE REORGANIZATION

In view of the serious payment difficulties faced by the Republic of Honduras, 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 Honduras 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 or guaranteed by the Government of the Republic of Honduras or its public sector, including payments due under previous bilateral consolidations, pursuant to a contract or other financial arrangement concluded before June 1, 1990 ;

b) loans from Governments or appropriate institutions of the Participating Creditor Countries, having an original maturity of more than one year and which were either extended to or guaranteed by the Government of the Republic of Honduras or its public sector, including payments due under previous bilateral consolidations, concluded before June 1, 1990 ;

c) repayments of principal due as a result of the consolidation agreements concluded according to the Agreed Minute dated September 14, 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 the present Agreed Minute.

It is understood that debt service due as a result of consolidation agreements concluded according to the Agreed Minute dated October 26, 1992 is not affected by the present reorganization.

2. Terms of the consolidation

The debt relief will apply as follows :

A/ As regards credits or loans granted or guaranteed by the Governments of France, Germany and the United States of America or their appropriate institutions

a) 50% of the amounts of principal and interest (excluding late interest) due as at December 31, 1995 inclusive and not paid and 50% of the amounts of principal and interest (excluding late interest) due from January 1, 1996 up to January 31, 1997 inclusive and not paid on credits and loans mentioned in paragraphs 1.a) and 1.b) above and not covered by paragraph D/ below will not need to be repaid by the Government of the Republic of Honduras. The remaining 50% will be rescheduled or refinanced. Repayment by the Government of the Republic of Honduras of the corresponding sums will be made as described in Table A1 attached to the present Agreed Minute ;

b) the rates and the conditions of interest on the rescheduling or refinancing arrangements covered by paragraph a) above will be determined bilaterally between the Government of the Republic of Honduras and the Government or appropriate institutions of the Participating Creditor Countries on the basis of the Appropriate Market Rate.

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B/ As regards credits or loans granted or guaranteed by the Governments of Denmark, Italy, Japan (excluding credits or loans granted by the Eximbank of Japan), Spain and Switzerland or their appropriate institutions

a) 100% of the amounts of principal and interest (excluding late interest) due as at December 31, 1995 inclusive and not paid and 100% of the amounts of principal and interest (excluding late interest) due from January 1, 1996 up to January 31, 1997 inclusive and not paid on credits and loans mentioned in paragraphs 1.a) and 1.b) above and not covered by paragraph D/ below will be rescheduled or refinanced.

Repayment by the Government of the Republic of Honduras of the corresponding sums will be made as described in Table A2 attached to the present Agreed Minute.

b) the rates and the conditions of interest on the rescheduling and refinancing arrangements covered by paragraph a) above will be determined bilaterally between the Government of the Republic of Honduras and the Government or appropriate institutions of the Participating Creditor Countries on the basis of the Appropriate Market Rate and the reduction in net present value to be achieved on each category of debts as defined in paragraph c) below hereafter, according to Table B2 attached to the present Agreed Minute.

c) the reduction in net present value to be achieved is 50% on credits and loans mentioned in paragraphs 1.a) and 1.b) above.

C/ As regards credits or loans granted by the Eximbank of Japan as an appropriate institution of the Government of Japan

a) 100% of the amounts of principal and interest (excluding late interest) due as at December 31, 1995 inclusive and not paid and 100% of the amounts of principal and interest (excluding late interest) due from January 1, 1996 up to January 31, 1997 inclusive and not paid on credits and loans mentioned in paragraphs 1.a) and 1.b) above and not covered by paragraph D/ below will be rescheduled or refinanced.

Repayment by the Government of the Republic of Honduras of the corresponding sums will be made as described in Table A6 attached to the present Agreed Minute.

b) The rates and the conditions of interest on the rescheduling and refinancing arrangements covered by paragraph a) above will be determined bilaterally between the Government of the Republic of Honduras and the Government or appropriate institutions of the Participating Creditor Countries on the basis of the Appropriate Market Rate and the reduction in net present value to be achieved on each category of debts as defined in paragraph c) hereafter, according to Table B6 attached to the present Agreed Minute ;

c) the reduction in net present value to be achieved is 50% on credits and loans mentioned in paragraphs 1.a) and 1.b) above.

d) 50% of the interest accrued from January 1, 1996 up to January 31, 1997 inclusive on consolidated amounts referred to in paragraph a) above will be capitalized and repaid in 36 equal and successive semi-annual instalments to be made at the same dates as those described in Table A6. No interest will be charged on those amounts. However late interest will be charged if applicable.

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D/ As regards Official Development Assistance loans (ODA) granted by the Governments of the Participating Creditor Countries listed in paragraphs A/ and B/ above or their appropriate institutions as well as by the Government of the Netherlands or its appropriate institutions.

a) The present paragraph applies to Official Development Assistance (ODA) loans, according to OECD definition, extended to the Government of the Republic of Honduras by the Governments or appropriate institutions of the Participating Creditor Countries concerned by paragraphs A/, B/ and as well as by the Government of the Netherlands or its appropriate institutions above, pursuant to an agreement concluded before June 1, 1990 ;

b) recognizing the great value of contributions already made by the Participating Creditor Countries through various means in order to alleviate further the burden of servicing these debts, 100% of the amounts of principal and interest (excluding late interest) due as at December 31, 1995 inclusive and not paid and 100% of the amounts of principal and interest (excluding late interest) due from January 1, 1996 up to January 31, 1997 inclusive and not paid on loans mentioned in paragraph a) above will be rescheduled or refinanced.

Repayment by the Government of the Republic of Honduras of the corresponding sums will be made as described in Table D1 attached to the present Agreed Minute.

c) The rates and the conditions of interest on the rescheduling or refinancing arrangements covered by paragraph b) above will be determined bilaterally between the Government of the Republic of Honduras and the Government or appropriate institutions of the concerned Participating Creditor Countries. These rates and conditions of interest should be at least as favourable as the concessional rate applying to those loans.

E/ As regards the consolidation agreement mentioned in paragraph 1.c) above :

a) 100% of the amounts of principal due from January 1, 1996 up to December 31, 1996 inclusive and not paid will be rescheduled or refinanced. Repayment by the Government of the Republic of Honduras of the corresponding sums will be made in 10 equal and successive semi annual payments, the first payment to be made on January 31, 2002 (end of the grace period) and the final payment to be made on July 31, 2006 (end of the repayment period) ;

b) the rates and the conditions of interest on the rescheduling or refinancing arrangement covered by paragraph a) above will be determined bilaterally between the Government of the Republic of Honduras and the Government or appropriate institutions of each Participating Creditor Country on the basis of an Appropriate Market Rate. As concerns the Official Development Assistance loans, it is understood that the rates and the conditions of interest should be at least as favourable as the concessional rates applying to those loans.

3. Debt swaps

On a voluntary and bilateral basis, the Government of each participating 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 September 30, 1992 or up to an amount of 10 million US dollars, whichever is higher.

III- GENERAL RECOMMENDATIONS

1. In order to secure comparable treatment of its debt due to all its external public or private creditors, the Government of the Republic of Honduras commits itself to seek from all its external creditors debt reorganization arrangements on terms comparable to those set forth in the present Agreed Minute for credits of comparable maturity.

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Consequently, the Government of the Republic of Honduras commits itself not to accord any category of creditors -and in particular creditor countries not participating in the present Agreed Minute, commercial banks and suppliers - a treatment more favourable than that accorded the Participating Creditor Countries.

2. The Government of the Republic of Honduras will seek to secure, from each of its creditor countries not participating in the present Agreed Minute, rescheduling or refinancing arrangements on terms comparable to those set forth in the present Agreed Minute. The Government of the Republic of Honduras 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 Honduras agrees that it will promptly negotiate rescheduling or refinancing arrangements with all other creditors on credits of comparable maturity.

The Government of the Republic of Honduras will inform in writing the Chairman of the Paris Club not later than September 30, 1996 of the progress made for this purpose in negotiations with other creditors.

4. The provisions set forth in the present 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., 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 June 30, 1996. Interest will be charged on those amounts.

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 Honduras which implements this Agreed Minute. The Government of the Republic of Honduras 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-3. above. The Government of the Republic of Honduras acknowledges this arrangement.

7. The Government of the Republic of Honduras 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 Honduras 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 the present Agreed Minute, as soon as possible and, in any case, not later than June 30, 1996. Late interest will be charged on those amounts.

9. The Government of the Republic of Honduras will take the relevant administrative measures or extend existing measures to ensure that the private debtors in the Republic of Honduras will be permitted to pay into the Central Bank the local currency counterpart of their obligations past due or falling due, corresponding to their debt of any nature owed to or guaranteed by the Participating or Observer Creditor Countries or their appropriate institutions.

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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 Honduras 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 Honduras, 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 Republic of Honduras according to the terms and conditions set out in Article II, paragraph 2. above ;

- 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 Honduras 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 September 30, 1996.

3. Each Participating Creditor Country reserves the right to change its option chosen in the present Agreed Minute among options described in Article II paragraphs 2. A/, 2. B/ and 2. C/ hereabove not later than the date of the signature of the corresponding bilateral agreement.

4. a) The provisions of Article II of the present Agreed Minute will apply from February 1, 1996 up to January 31, 1997 provided that the Executive Board of the International Monetary Fund has approved by then a third annual arrangement under the Enhanced Structural Adjustment Facility with the Government of the Republic of Honduras and provided that the Republic of Honduras has made on due dates the payments referred to in the present Agreed Minute ;

b) for this purpose, the Government of the Republic of Honduras agrees that the International Monetary Fund will inform the Chairman of the Paris Club regarding the status of the Republic of Honduras' relations with the International Monetary Fund.

5. The Participating Creditor Countries agreed in principle to consider the extension of the provisions of the present Agreed Minute up to the end of the third annual arrangement under the Enhanced Structural Adjustment Facility.

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6. To facilitate the implementation of this Agreed Minute, the Government of the Republic of Honduras will deposit in the special account established with the Federal Reserve Bank of New York, the equivalent of at least SDR 4.5 million at the end of each month, commencing in March 1996 through January 31, 1997 or the end of the third annual arrangement under the Enhanced Structural Adjustment Facility inclusive in accordance with Article IV paragraph 5. hereabove. The Government of the Republic of Honduras undertakes 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 January 1, 1996 up to the end of the third annual arrangement under the Enhanced Structural Adjustment Facility 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 Honduras 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 January 1, 1996 up to the end of the third annual arrangement under the Enhanced Structural Adjustment Facility 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.

7. In response to the request of the representatives of the Government of the Republic of Honduras, the Participating Creditor Countries agreed in principle to a meeting to consider the matter of the Republic of Honduras' debt service payments falling due after the end of the third annual arrangement under the Enhanced Structural Adjustment Facility and relating to loans or credits pursuant to a contract or other financial arrangement concluded before June 1, 1990 provided :

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

- that the Republic of Honduras has reached with other creditors effective arrangements meeting the conditions described in Article III paragraphs 1., 2. and 3. above and has reported in writing to the Chairman of the Paris Club, pursuant to Article III paragraphs 3. and 7. above ;

- and that the Republic of Honduras has complied with all conditions set out in the present Agreed Minute.

8. If the Government of the Republic of Honduras maintains satisfactory relations with the Participating or Observer Creditor Countries, and notably fully implements all agreements signed with them and has satisfactorily implemented the third annual ESAF arrangement with the International Monetary Fund, the Participating Creditor Countries agree in principle to hold a meeting to consider the matter of the Republic of Honduras' stock of debt after the Executive Board of the IMF has approved a new three year arrangement under the Enhanced Structural Adjustment Facility.

9. The representatives of the Government of each of the Participating Creditor Countries and of the Government of the Republic of Honduras 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 March 1, 1996
in two versions, English and French,
both texts equally authentic,

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The Chairman
of the Paris Club



The Head of the Delegation
of the Republic of Honduras



Delegation of Canada



Delegation of Japan



Delegation of Denmark



Delegation of the Netherlands



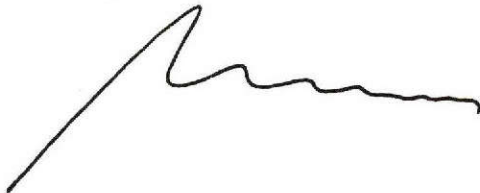
Delegation of France



Delegation of Spain



Delegation of Germany



Delegation of Switzerland



Delegation of Italy



Delegation of the United States
of America



PARIS CLUB
PRESS RELEASE

**THE PARIS CLUB AGREES A DEBT RESTRUCTURING
FOR THE REPUBLIC OF HONDURAS**

1. The Paris Club met on February 29 and March 1, 1996 with representatives of the Republic of Honduras. The representatives of the Creditor Countries agreed to recommend to their Governments a reorganization of the maturities falling due during the period covered by Honduras' arrangement with the International Monetary Fund.

This restructuring of the Republic of Honduras' external debt applies to payments due under loans from, and credits guaranteed by the Republic of Honduras' official creditors.

2. The representatives of the Creditor Countries noted that the Republic of Honduras' low per capita income and heavy debt burden call for strong adjustment efforts together with generous treatment of debt.

The representatives of the Creditor Countries welcomed the implementation by the Government of the Republic of Honduras of an economic and financial program supported by a second arrangement under the Enhanced Structural Adjustment Facility with the International Monetary Fund.

3. The delegation of the Republic of Honduras asked for a concessional treatment of its debt. Creditor Countries agreed to debt reduction and rescheduling in order to foster economic growth and accelerate development in the country.

The agreement implements the "Naples Terms" agreed in December 1994 for the treatment of the poorest and most indebted countries.

4. The representatives of the Creditor Countries agreed to recommend a treatment providing for the reduction of the debt according to one of the following options :

- write-off of 50% of debt service obligations due under eligible loans and credits ; the remaining part to be consolidated at market interest rates over a period of 23 years (including a grace period of 6 years) ;

- or consolidation at concessional interest rates, so as to reduce by 50% in net present value the payments due on eligible loans and credits, with a repayment period of 23 years.

Recognizing the great value of contributions already made by the Creditor Countries in order to alleviate the burden of servicing ODA debt, the maturities on ODA loans will be consolidated on a very long term basis.

5. In a voluntary manner, each Creditor Country may also undertake limited debt for nature, debt for aid, debt for equity swaps or other local currency swaps.

6. Lastly, Creditor Countries also agreed under certain conditions to hold a meeting to consider the matter of the Republic of Honduras' stock of eligible debt.

Background notes

1. The Paris Club was formed in 1956. It is an informal group of Creditor Governments mainly from major industrialized countries (i.e. OECD). It meets on a monthly basis in Paris with debtor countries in order to agree with them on restructuring their debts.

2. The members of the Paris Club which participated in the reorganization were representatives of the Governments of Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Spain, Switzerland and the United States of America.

3. Observers at the meeting were representatives of the Governments of Austria, the United Kingdom, and of the International Monetary Fund, the International Bank for Reconstruction and Development, the Interamerican Development Bank, the Secretariat of the UNCTAD and the Organization for Economic Cooperation and Development.

4. The delegation of the Republic of Honduras headed by Mr. Guillermo BUESO, Minister, Economic Cabinet Coordinator, expressed its thanks to the Participating members of the Paris Club for their help in strengthening the Republic of Honduras's economic and financial situation.

5. The meeting was chaired by Mr Bertrand de MAZIERES, Deputy Assistant Secretary at the Treasury at the Ministry of Economy, Vice President of the Paris Club.

6. The arrangement concluded by Honduras with the International Monetary Fund was approved by the Fund's Executive Board on January 30, 1995.

Contact :
Jérôme HAAS
Secretary General of the Paris Club
Tél. : 33.1 44.87.73.61
Fax : 33.1 40.04.16.91

Honduras

Capacité de paiement / Payment capacity

Date butoir : 1er juin 1990

Cut-off-date : June 1, 1990

(Millions de dollars des EUA)	1996	1997	(Millions of US Dollars)
Solde commercial	-445,0	-483,0	Trade balance
Exportations	1218,0	1258,0	Exports
- dont café	300,0	278,0	- of which coffee
Importations	-1663,0	-1741,0	Imports
Services (nets, hors paiements d'intérêts sur la dette extérieure et hors transferts gouvernementaux)	359,0	405,0	Services (net, excluding interest payment on external debt and excluding government transfers)
Services (nets)	246,0	281,0	Services (net)
Transferts des avoirs de l'étranger	113,0	124,0	Transfers of workers' savings
Solde des paiements courants (hors paiements d'intérêts sur la dette extérieure)	-86,0	-78,0	Current account balance (excluding interest payments on external debt)
Entrées de capitaux	571,0	536,0	Capital inflows
- Entrées de capitaux (engagements), dont :	700,0	590,0	- Capital inflows (pledges), of which :
- prêts bilatéraux	79,0	79,0	- bilateral loans
- prêts multilatéraux	347,0	300,0	- multilateral loans
dont Banque mondiale	112,0	72,0	of which World Bank
dont aide à la balance des paiements	94,0	54,0	of which B.O.P. support
dont B.I.D.	167,0	155,0	of which I.D.B.
dont aide à la balance des paiements	80,0	45,0	of which B.O.P. support
dont autres (BCAIE, FIDA, OPEP)	68,0	73,0	of which others (CABEL, IFAD, OPEC)
- transferts officiels	110,0	105,0	- official transfers
- investissements directs	63,0	68,0	- direct investments
- prêts du secteur privé, erreurs et omissions	57,0	43,0	- private sector loans, errors & omissions
- réserves des banques commerciales	-10,0	-5,0	- commercial banks reserves
- tirages sur avoirs du secteur public à l'étranger	54,0	0,0	- drawings from public sector deposits abroad
- Contribution brute du F.M.I.	21,0	0,0	- Gross I.M.F. purchases
- Variations des réserves	-150,0	-54,0	- Change in reserves
Solde disponible pour le service de la dette extérieure	485,0	458,0	Amount available for external debt service

	1996	1997	
Solde disponible pour le service de la dette extérieure	485,0	458,0	Amount available for external debt service
Paiements aux organisations multilatérales	-323,0	-278,0	Payments to multilateral organizations
principal	-212,0	-171,0	principal
intérêts	-111,0	-107,0	interest
dont FMI (remboursements)	-39,0	-10,0	of which IMF (repurchase/repayments)
(intérêts)	-4,0	-2,0	(charges)
dont Banque Mondiale (principal)	-69,0	-65,0	of which World Bank (principal)
(intérêts)	-38,0	-33,0	(interest)
dont BID (principal)	-28,0	-29,0	of which IDB (principal)
(intérêts)	-32,0	-32,0	(interest)
dont autres (principal)	-76,0	-67,0	of which others (principal)
(intérêts)	-37,0	-40,0	(interest)
Solde disponible après service de la dette aux organisations multilatérales	162,0	180,0	Amount available after debt service to multilateral organizations
Paiements aux fournisseurs et aux banques	-52,0	-52,0	Payments to suppliers and banks
Paiements aux pays créanciers bilatéraux non Club de Paris	-29,0	-29,0	Payments to non Paris Club creditor countries
Solde disponible pour les pays créanciers du Club de Paris	81,0	99,0	Amount available for Paris Club creditor countries
Paiements aux pays créanciers du Club de Paris	-76,0	-104,8	Payments to Paris Club creditor countries
Crédits MLT contractés avant la date butoir et non précédemment rééchelonnés (public)	0,0	-40,1	MLT claims contracted before the cut-off-date and not previously rescheduled (public)
- échéances courantes à compter du 1/2/97-	0,0	-40,1	- current maturities due from 2/1/97
- principal	0,0	-27,7	- principal
- intérêts	0,0	-12,4	- interest
Crédits MLT contractés avant la date butoir et non précédemment rééchelonnés (privé)	-0,5	0,0	MLT claims contracted before the cut-off-date and not previously rescheduled (private)
- arriérés au 31 décembre 1995	-0,5	0,0	- arrears as of December 31, 1995
Crédits MLT contractés avant la date butoir et précédemment rééchelonnés	-56,4	-51,4	MLT claims contracted before the cut-off-date and previously rescheduled
- arriérés au 31 décembre 1995	-3,1	0,0	- arrears as of December 31, 1995
- principal	-21,3	-21,3	- principal
- intérêts	-32,0	-30,1	- interest
dont Club de Paris I	-45,6	-42,6	of which Paris Club I
dont Club de Paris II	-10,8	-8,9	of which Paris Club II
Crédits MLT contractés après la date butoir	-19,0	-13,3	MLT claims contracted after the cut-off-date
- arriérés au 31 décembre 1995	-4,9	0,0	- arrears as of December 31, 1995
- échéances courantes	-14,1	-13,3	- maturities falling due
(pour mémoire : court terme)	-2,9	0,0	(for information : short term)
Intérêts moratoires sur la consolidation	-1,9	-1,7	Moratorium interest on the consolidation
Intérêts sur les nouveaux prêts	-6,4	-18,5	Interest on new borrowing
Solde disponible après le service de la dette extérieure	-3,2	-25,9	Amount available after external debt service

Honduras

Service de la dette extérieure / External debt service

Date butoir : 1er juin 1990

Cut-off-date : June 1, 1990

(Millions de dollars des EUA)	Arriérés au 31/12/95	1996	1997	(Millions of US Dollars)
Club de Paris	32,8	119,0	108,4	Paris Club
Crédits MLT contractés avant la date butoir et non précédemment rééchelonnés (public)	24,3	48,6	43,7	MLT claims contracted before the cut-off-date and not previously rescheduled (public)
Crédits MLT contractés avant la date butoir et non précédemment rééchelonnés (privé)	0,5	-	-	MLT claims contracted before the cut-off-date and not previously rescheduled (private)
Crédits MLT contractés avant la date butoir et précédemment rééchelonnés	3,1	53,3	51,4	MLT claims contracted before the cut-off-date and previously rescheduled
Crédits MLT contractés après la date butoir	4,9	14,1	13,3	Post cut-off-date MLT claims
Dette à court terme	-	2,9	-	Short term debt
Fournisseurs, banques et institutions financières	39,0	46,0	52,0	Suppliers, banks and FI's
- principal	39,0	39,0	46,0	- principal
- intérêts	-	7,0	6,0	- interest
Créanciers bilatéraux non Club de Paris	49,0	29,0	29,0	Non Paris Club creditors
- principal	49,0	21,0	22,0	- principal
- intérêts	-	8,0	7,0	- interest
Multilatéraux (FMI, Banque, IDB, autres)	-	323,0	278,0	Multilateral (IMF, WB, IDB, others)
- principal	-	212,0	171,0	- principal
- intérêts	-	111,0	107,0	- interest
Total	120,8	517,0	467,4	Total

Honduras

Service de la dette due aux / Debt service due to
pays créanciers du Club de Paris / Paris Club Creditor Countries

Date butoir : 1er juin 1990

Cut-off-date : June 1, 1990

	Arriérés au 31/12/95	1996	1997	
(Millions de dollars des EUA)				(Millions of US Dollars)
Crédits MLT contractés avant la date butoir et non précédemment rééchelonnés (public)	24,29	48,60	43,70	MLT claims contracted before the cut-off-date and not previously rescheduled (public)
- principal	15,58	33,59	30,19	- principal
- intérêts	8,29	15,01	13,51	- interest
- intérêts de retard	0,42	-	-	- late interest
Crédits MLT contractés avant la date butoir et non précédemment rééchelonnés (privé)	0,55	-	-	MLT claims contracted before the cut-off-date and not previously rescheduled (private)
Crédits MLT contractés avant la date butoir et précédemment rééchelonnés	3,11	53,31	51,44	MLT claims contracted before the cut-off-date and previously rescheduled
- principal	0,27	21,34	21,31	- principal
- intérêts	2,79	31,97	30,13	- interest
- intérêts de retard	0,05	-	-	- late interest
. dont Club de Paris I - 14/09/1990	1,61	43,97	42,57	. of which Paris Club I - 09/14/1990
- principal	-	20,04	20,16	- principal
- intérêts	1,58	23,93	22,41	- interest
- intérêts de retard	0,03	-	-	- late interest
. dont Club de Paris II - 26/10/1992	1,51	9,34	8,87	. of which Paris Club II - 10/26/1992
- principal	0,27	1,30	1,15	- principal
- intérêts	1,21	8,04	7,72	- interest
- intérêts de retard	0,03	-	-	- late interest
Crédits MLT contractés après la date butoir (public)	4,86	13,43	13,04	Post cut-off-date MLT claims (public)
- principal	3,42	3,40	3,20	- principal
- intérêts	1,36	10,03	9,84	- interest
- intérêts de retard	0,08	-	-	- late interest
Crédits MLT contractés après la date butoir (privé)	-	0,69	0,22	Post cut-off-date MLT claims (private)
Dette à court terme (privé seulement)	-	2,93	-	Short term debt (private only)
- principal	-	2,93	-	- principal
- intérêts	-	-	-	- interest
- intérêts de retard	-	-	-	- late interest
Total	32,81	118,96	108,40	Total

Honduras

Service de la dette extérieure / External debt service

Date butoir : 1er juin 1990

Cut-off-date : June 1, 1990

	Arriérés au 31/12/95	1996	1997	
(Millions de dollars des EUA)				(Millions of US Dollars)
Club de Paris	32,8	119,0	108,4	Paris Club
Crédits MLT contractés avant la date butoir et non précédemment rééchelonnés (public)	24,3	48,6	43,7	MLT claims contracted before the cut-off-date and not previously rescheduled (public)
Crédits MLT contractés avant la date butoir et non précédemment rééchelonnés (privé)	0,5	-	-	MLT claims contracted before the cut-off-date and not previously rescheduled (private)
Crédits MLT contractés avant la date butoir et précédemment rééchelonnés	3,1	53,3	51,4	MLT claims contracted before the cut-off-date and previously rescheduled
Crédits MLT contractés après la date butoir	4,9	14,1	13,3	Post cut-off-date MLT claims
Dette à court terme	-	2,9	-	Short term debt
Fournisseurs, banques et institutions financières	39,0	46,0	52,0	Suppliers, banks and FI's
- principal	39,0	39,0	46,0	- principal
- intérêts		7,0	6,0	- interest
Créanciers bilatéraux non Club de Paris	49,0	29,0	29,0	Non Paris Club creditors
- principal	49,0	21,0	22,0	- principal
- intérêts		8,0	7,0	- interest
Multilatéraux (FMI, Banque, IDB, autres)	-	323,0	278,0	Multilateral (IMF, WB, IDB, others)
- principal	-	212,0	171,0	- principal
- intérêts	-	111,0	107,0	- interest
Total	120,8	517,0	467,4	Total