GROUP OF TEN

THE ROLE OF THE IMF AND THE WORLD BANK IN THE CONTEXT OF THE DEBT STRATEGY

A REPORT TO THE MINISTERS AND GOVERNORS
BY THE GROUP OF DEPUTIES

June 1989

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1 June 1989

LETTER OF TRANSMITTAL

To the Ministers and Governors:

In their Communiqué of 14 April 1988 the Ministers and Governors of the Group of Ten instructed their Deputies to undertake a review of the role of the IMF and the World Bank in the context of the debt strategy.

At their meeting in Washington D.C. on 3 April 1989 the Ministers and Governors reviewed the work of the Deputies, and instructed them to submit a final report within the next few weeks.

On behalf of the Deputies, I have pleasure in transmitting this report, which was finalized at their meeting in Paris on 12 May 1989.

Lamberto Dini

Chairman, Group of Deputies

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Chapter I

INTRODUCTION

1. At their meeting in Washington on 14 April 1988, the Ministers and Governors of the Group of Ten instructed their Deputies to "undertake a review of the role of the IMF and the World Bank in the context of the debt strategy". This request was motivated principally by two developments. Firstly, the international debt situation was increasingly projecting the two Bretton Woods institutions into activities somewhat removed from their traditional areas of responsibility and expertise, which in turn had led to some substantial areas of overlap in their operations. Secondly, both institutions were gradually acquiring an increasing share of the liabilities of the heavily indebted developing countries. There was therefore a need to ascertain that their financial soundness was being preserved and that their effectiveness was not being undermined, either in their traditional spheres of responsibility or within the debt strategy itself.

2. After agreeing on the outline of the contents of the report, the Deputies decided to work on the basis of policy papers prepared by the Deputies themselves; a paper was also contributed by one of the observers. The IMF and the World Bank staff provided background material and the Deputies had the benefit of the views of senior representatives of the

Fund and the Bank at several meetings. On 3 April 1989, a progress report was presented in Washington to the Ministers and Governors, who then instructed the Deputies to complete the report in time for the meeting in Berne on 2 June 1989.

3. In carrying out their mandate, the Deputies were conscious of the fact that the debt strategy is, by its very nature, an evolving concept: it is a framework based on a few fundamental principles that can be implemented in different forms to meet changing circumstances. This has been clear in the last twelve months, with a broad consensus emerging in various fora on the need to impart fresh impetus to the debt strategy. The preparation of the report has enabled the Deputies to make a broad and thorough review of the accomplishments of the debt strategy so far and the role of the IMF and the World Bank in its implementation, as well as to explore new avenues for action. Under their mandate, the Deputies have focused on policy guidelines for the Bretton Woods institutions to ensure more effective performance of their respective systemic functions and to strengthen their role in the debt strategy. The work of the Deputies on these issues has thus stimulated and contributed to the reviews being conducted both by the authorities of member countries and by the Bretton Woods institutions. In turn, the Deputies' report reflects the proposals, understandings and progress that have resulted from the review process.

Chapter II

THE DEBT PROBLEM AND STRATEGY

4. In reviewing the factors that led to the build-up of the international debt problem, the Deputies noted that the 1970s had been marked by sustained growth in the middle-income countries, rapidly rising commodity prices and high rates of inflation in industrial countries, together with low, and sometimes negative, real interest rates. The recycling of OPEC current account surpluses, rapid growth in the integration of international financial markets and the favourable perception of sovereign risk created an environment in which developing countries were able to turn to private markets as a primary source of balance-of-payments financing. In retrospect, the economic development of the middle-income countries, geared to maintaining consumption and in many cases involving investments providing a limited return, failed to give sufficient consideration to the foreign exchange requirements of future debt service. The situation was moving in an unsustainable direction even before the second oil crisis. The steep rise in the price of an essential import had, of course, a direct adverse effect on the external position of the non-oil debtor countries. For their part, the industrial countries tackled inflation more firmly with the help of higher interest rates; the beneficial results of their policies, including sustained growth with low inflation, have now been evident for some time. However, for many debtor

countries higher interest rates and the temporary decline in growth in the industrial world in the early 1980s aggravated the effects of the fall in real non-oil commodity prices. Furthermore, during the 1980s, many middle-income countries have not been able to sustain appropriate macroeconomic and structural reform efforts and their external financing requirements have been aggravated by capital flight.

The middle-income countries

5. The Deputies observed that the total debt of the fifteen heavily indebted middle-income countries amounted to $380 billion at the end of 1982, compared with $270 billion in 1980 and less than $80 billion in 1975. With interest rates rising sharply in the early 1980s, these countries' interest payments increased even more rapidly than their total debt. Their external current account deficit averaged almost one third of their exports in 1981-82.

6. The debt crisis came to a head in 1982, when Mexico announced its inability to meet all its contractual debt service obligations. In the wake of the Mexican moratorium in 1982 there was a sharp curtailment of private lending to the developing countries. Net lending by non-official creditors, which had averaged as much as $40 billion per year in 1979-81 and led to an unsustainable growth in debt, fell sharply thereafter. The behaviour of commercial bank lending was an important factor determining this change. Published statistics indicate that the growth in the exchange-rate-adjusted stock of commercial bank claims fell sharply after

1981 and turned negative in the period 1985-88. However, adjustment by the IMF of these data to reflect estimated arrears, debt writedowns, conversions and debt/equity swaps shows a positive net cash flow from the commercial banks to the major debtors from 1985 through 1988 on the order of $9 billion.

7. Starting in 1983, official creditors, including the IMF and the World Bank, increased their net lending to the fifteen heavily indebted middle-income countries. IMF lending rose very sharply during 1982-84, but its revolving nature meant that the increased flow could not be maintained. Indeed, repurchases caused net Fund lending to turn negative in 1986-1988. Net lending by the World Bank and long-term lending by other official sources also increased significantly after 1982, though the latter contracted sharply in 1988 as a result of reduced net lending by both bilateral and multilateral creditors.

8. The Deputies underscored the substantial "capital flight" that has plagued the debtor countries, reflecting an unfavourable investment environment and inadequate domestic policies. The IMF has estimated that the external assets of all the capital-importing developing countries amounted to $500 billion at the end of 1985, of which only $150 billion was accounted for by official reserves. It has also been estimated that the total stock of assets held abroad by the non-bank private sector of the fifteen heavily indebted middle-income countries amounted to $70 billion in 1980, to $160 billion in 1982 and to about $300 billion at the

end of 1987.[1]

9. In view of these developments in financial flows after 1982, the heavily indebted middle-income countries were obliged to make major changes in their economic policies. Their imports fell sharply. Their net transfer of resources to creditor countries,[2] which had been negative during the 1970s, swung into substantial surplus as early as 1983. Their current account deficit, which had amounted to one third of total exports in 1982, was almost eliminated by 1984. Efforts to protect consumption, in the face of the large shift in the transfer of resources, resulted in the share of investment in GDP falling sharply, thereby impeding the subsequent recovery of domestic production and of real per capita incomes after the substantial initial fall.

10. The need to ensure continuing adjustment and to sustain the economies of these countries was an important spur to the introduction of the "Program for Sustained Growth", announced by Secretary Baker in October 1985. The Program shifted the emphasis of the debt strategy from stabilization to growth-oriented adjustment. It incorporated three essential and mutually reinforcing elements to be applied on a case-by-case basis:

i) the adoption by major debtor countries of comprehensive macroeconomic and structural adjustment policies, supported by the

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1. Morgan Guaranty Trust, World Financial Markets, Dec. 1988.
2. Defined as the balance on goods and non-factor services.

international financial institutions, to promote simultaneous growth and balance-of-payments adjustment, and to reduce inflation. To this end, heightened emphasis on institutional and structural reforms was seen as the key to revitalizing countries' efforts to deal with their debt problems;

ii) a continued central role for the Fund and Fund-supported programs, in conjunction with increased and more effective structural and sectoral adjustment lending by the World Bank and other multilateral development banks, with the aim of supporting the adoption by major debtor countries of market-oriented policies for adjustment and growth; and

iii) increased lending by private banks (a total of $20 billion in net new lending was envisaged over three years, corresponding to an annual increase in exposure of between 2.5 and 3 percent) in support of -- and catalyzed by -- comprehensive adjustment programs supported by the Fund and the World Bank.

In addition, it was recognized that sound policies, an open trading system and sustained non-inflationary growth in the industrial countries were important prerequisites for the success of the debt strategy.

11. Progress in securing new commercial bank financing for the fifteen heavily indebted middle-income countries was slow, however, with new lending falling short of that called for under the strategy, and

unevenly distributed. Against this background, an important innovation was made in 1986 with the development of a wider range of financing instruments, the so-called "menu" of new options. The menu approach involves a broad array of marketable debt and equity instruments providing alternatives to balance-of-payments loans. The menu also provides options for commercial banks to engage voluntarily in debt conversion techniques that would reduce both debt and debt servicing and thus improve debtors' prospects of restoring creditworthiness.

The low-income countries

12. As regards low-income countries, and in particular those of Sub-Saharan Africa, the Deputies noted that the absolute level of their indebtedness, though much lower than that of the middle-income debtors, had risen from $6 billion in 1972 to $38 billion in 1982 and to $68 billion in 1988. When the debt crisis broke out, the ratio of debt to exports of the low-income countries was somewhat higher than that for the fifteen heavily indebted middle-income countries; however, their debt service and interest service ratios were considerably lower.

13. The low-income countries also differ from other heavily indebted countries insofar as official transfers have accounted for a relatively large share of their external financial resources and the bulk of their debt is owed to official creditors on concessional terms. Underlying the economic problems of these countries have been structural impediments to growth and protracted balance-of-payments deficits associated with

inadequate macroeconomic policies and the long-standing weakness of their export performance. In part this reflects the underdeveloped nature oftheir economies and their narrow export base. Although these countries' scope for adjustment via import compression was limited, their combined imports fell appreciably between 1981 and 1983, their GDP stagnated and per capita real incomes decreased dramatically.

14. Exceptional financing flows to the small low-income African countries averaged some $3 billion per year between 1982 and 1988, attributable mainly to official sources.[3] Commercial creditors accounted for almost 25 percent of the group's outstanding debt in 1982, but had reduced their share to less than 15 percent by the end of 1988.

15. The Fund and the Bank have both been heavily involved in providing financial assistance to low-income countries. In the period 1980-84 annual net credit from the Fund to this group of countries was more than three times the average of the 1970s. Net IMF lending turned negative in 1986-88 as repurchases grew as a result of the earlier large expansion of credit. With Structural Adjustment Facility (SAF) and Enhanced Structural Adjustment Facility (ESAF) disbursements coming on stream, net IMF lending to these countries is expected to become strongly positive by 1990. The net flow of financial resources from the Bank also rose substantially following the outbreak of the debt crisis and has recorded further large increases in recent years.

3. Primarily rescheduling of debt-service payments plus arrears.

Restructuring and financing techniques

16. An important technique for dealing with the debt problems of middle-income debtors has been the rescheduling of the principal of commercial bank loans. Between 1983 and the end of 1988 about $380 billion of the fifteen heavily indebted middle-income countries' debt was rescheduled in conjunction with concerted gross lending commitments. The cash flow relief provided by this rescheduling built up rapidly and averaged about $35 billion per year between 1984 and 1988.

17. Reflecting the perceived temporary nature of the crisis, early restructuring agreements involved stiffer terms for the debtor countries. However, as the medium-term nature of the debt problem became apparent, and some countries began to make rapid progress in reducing their external deficits, terms began to ease somewhat. The development of both a secondary market for commercial bank debt and debt conversion programs has provided scope for voluntary, market-based, debt-reduction schemes. The amount of debt reduction achieved through debt/equity swaps and other related techniques has been growing substantially but is still relatively modest. The Deputies were of the view that the potential of this approach had not yet been fully realized.

18. The Deputies stressed that official multilateral rescheduling agreements had made an important contribution to easing the debt problem, most notably through the rescheduling, when necessary, of interest in addition to principal. In this respect the Deputies noted that new money from the commercial banks and interest capitalization through Paris Club

rescheduling were alternative ways of channeling new resources to the indebted countries. Agreements negotiated under the auspices of the Paris Club have been of great importance for the poorest countries, with over $11 billion of debt being rescheduled in the period 1982-88 and practical effect given to the debt relief approach formulated at the 1988 Toronto Summit. In addition, some $32 billion owed to official lenders by the fifteen heavily indebted middle-income countries was rescheduled between 1983 and 1988.

19. The Deputies noted that the official sector, international financial institutions plus the Paris Club, had provided the bulk of new money since 1982 (some of it in the form of capitalized interest), with the banks providing only a small share, despite their much greater exposure. Accordingly, the proportion of the long-term debt of the fifteen heavily indebted middle-income countries owed to the official sector rose from about 17 percent in 1982 to 30 percent in 1988, with a corresponding decline in the proportion of the private sector's exposure.

The current state of the debt situation

20. The Deputies reviewed the progress made over the years under the debt strategy. They noted that the systemic risk posed by the outbreak of the debt crisis had been substantially reduced and that debt restructuring, concerted new financing packages and the development of the menu approach had brought relief to nearly all the heavily-indebted countries. They noted, furthermore, that the " Program for Sustained

Growth " had played a positive role and that there was now increased recognition in many debtor countries of the need for market-led growth and for the reforms necessary to achieve it. The Deputies also underlined the progress made in the industrial countries in promoting non-inflationary growth. They welcomed the more effective focusing of Fund and Bank resources in support of debtor adjustment programs and the evidence that the countries with the most intensive reform and adjustment policies were also those showing the greatest improvement in economic performance.

21. The Deputies nevertheless recognized that a satisfactory solution of the debt problem required further efforts by all the parties concerned. Seven years after the outbreak of the debt crisis, many debtor countries still face severe financing constraints and GDP growth remains generally insufficient to raise per capita incomes and improve living standards. Serious slippages have occurred in the implementation of some adjustment programs and creditworthiness has not been restored, as indicated by the reluctance of commercial banks to provide new lending, the large discount prevailing in the secondary market for debt and the persistence of capital flight. Debt and debt servicing ratios remain high, particularly in historical terms, and arrears have built up in some cases. The level of world real interest rates creates a difficult environment for the adjustment effort. The Deputies were nonetheless firmly of the view that further progress toward resolving the debt problem could be achieved by strengthening and adapting the present debt strategy, whose main principles remained valid.

22. The Deputies also noted that a number of debtor countries had

negotiated, or were negotiating, sound economic adjustment programs with the IMF and the World Bank. They encouraged strong and consistent implementation of these programs in order to restore the confidence of both domestic and foreign investors, thus providing a basis for financial support, including debt reduction, debt service reduction and capital flight repatriation.

Chapter III

THE ROLE OF THE FUND AND THE BANK IN THE DEBT STRATEGY

The mandates of the two institutions

23. The Deputies noted that the IMF and the World Bank shared the common objective of assisting member countries in achieving sustained economic growth and financial stability. The Deputies stressed that in pursuing this objective, each institution should nevertheless retain its distinct mandate and role.

24. The Deputies agreed that the Fund played a central role in promoting a strong and sound global economy and in fostering a stable international monetary system. The Fund fulfills its basic functions both through the surveillance of the economic policies of members, exchange rate matters and international liquidity and through the provision of financing to assist all members in correcting payments imbalances without resorting to measures destructive of national or international prosperity. In their Report of June 1985 on "The Functioning of the International Monetary System", the G-10 Deputies set out the principles governing the role of the Fund. In particular, they stressed that the Fund was a monetary institution whose balance-of-payments assistance is provided on a

temporary basis. The Deputies reaffirmed the validity of these principles.

25. The Deputies agreed that the Bank was the leading international development institution, with an indispensable role in promoting economic growth, social development and conditions conducive to efficient resource allocation. The Bank fulfills its basic functions through investment lending, sectoral and structural adjustment loans, evaluation of the appropriate composition of development and structural adjustment programs, and advice on development policies.

26. The Deputies stressed that the respective roles of the Bretton Woods institutions in the debt strategy could only be placed in a proper perspective with reference to their overall mandates and functions. The Fund and the Bank have adapted well over the years to the changing circumstances of their members, and must continue to do so. There are nonetheless limits to how far adaptation should go in response to emerging problems, however important these may be, since the fundamental nature of the two institutions must be preserved. In view of its global character, the Fund may be called upon to provide financial assistance to both its developing and its developed members. However, the revolving character of the Fund's resources and their nature as reserve claims effectively circumscribes the forms as well as the terms of the IMF financial support. The Bank has to safeguard its own credit standing in the capital markets and its emphasis on project financing sets a limit to the resources available for policy-based lending. The Deputies emphasized that the special efforts made in the debt domain should not compromise the

other important functions of the two institutions.

27. The Deputies agreed that it was of fundamental importance to strengthen both the character and the position of the Fund as the central monetary institution and that of the Bank as the central development institution. The activities of the two organizations benefit from their financial integrity and global backing and have often made a decisive contribution to the wellbeing of the world economy. They are also complementary: sustained development requires both structural reforms and a stable macroeconomic framework, while macroeconomic adjustment is greatly facilitated when accompanied by structural reforms and long-term growth. The Deputies were firmly convinced that every effort should be made to continue promoting cooperation between the Fund and the Bank while preserving their separate identities.

The role of the Fund in the middle-income countries

28. The Deputies noted that the Fund had successfully served in the 1980s as the linchpin of the international strategy to deal with the debt problems of developing countries. The Fund in its relations with debtor countries has consistently sought to:

- encourage policies necessary for external viability and sustainable economic growth;
- catalyze official and private financial flows in support of comprehensive adjustment efforts and help restore access to international financial markets; and

- provide temporary financing to deal with payments imbalances.

The Deputies agreed that the essence of the Fund's role was to lay the basis for sustained growth by assisting countries in the design and implementation of economic policies that were sufficiently strong and comprehensive to restore external equilibrium within a time span compatible with the monetary character of its resources.

29. The economic policies of debtor countries, the technical and financial assistance provided by the Fund and the responses of other creditors and donors to the debtor countries' adjustment efforts are all crucial to the debt strategy, but so is a favourable global economic environment. The Deputies emphasized that, through its bilateral and multilateral surveillance activities, the Fund played a major role in the promotion of a stable and growing world economy and an open multilateral trading and payments system.

30. The Deputies noted that the correction of domestic and external imbalances required an appropriate mix of adjustment and financing on a case-by-case basis. The Fund has developed its conditionality to support members' adjustment efforts and to determine the policies and procedures for the use of its resources. The Deputies stressed that conditionality was essential for effective adjustment and that it needed to be strengthened rather than weakened. In this connection, the Deputies noted that strong programs adequately implemented would:

- facilitate the necessary adjustment and thereby enhance prospects for growth;
- make other creditors more inclined to contribute appropriate financing,

thereby strengthening the Fund's catalytic role;

- reduce debt problems and encourage a reversal of capital flight;
- preserve the revolving character of Fund resources.

31. The Deputies thought it essential for debtor countries to be committed to the implementation of sound and effective programs. In some cases, this commitment can be effectively signaled through willingness to take actions prior to a program and to frontload measures within the program period itself. While each arrangement has to be adapted to the particular circumstances of the member, Fund programs must give sufficient assurance of achieving a sustainable balance-of-payments position in order to provide a sound basis for non-inflationary growth. The Fund must continue to resist pressures to take account of non-economic considerations that could lead to weak programs. Moreover, deviations from the principle of uniform treatment of member countries could undermine the credibility and integrity of the Fund and affect its role as a leading actor in the debt strategy.

32. The Fund must continue in its efforts to achieve and maintain cooperation with member countries based on mutual trust and respect. In the view of the Deputies the Fund should meet the request of a member for an analysis of program effects, with a choice of alternative program designs. In special cases, the Fund must be prepared to outline, in close collaboration with the World Bank, compensatory measures to relieve the burden on particularly vulnerable groups of the population without compromising the program goals.

33. The Deputies noted that the Fund undertook periodic reviews of programs supported by stand-by and extended arrangements under the 1979 guidelines on conditionality, and that the most recent comprehensive review of conditionality had been conducted in April 1988. The Deputies stressed that Fund reviews of conditionality should give special consideration to its effectiveness and the degree to which Fund conditions had been implemented.

34. The Deputies agreed that the Fund had to retain primary responsibility for advising members on the design of the macroeconomic framework. Accordingly, the Fund should focus on the aggregate aspects of macroeconomic policies, and their related instruments, including public sector spending and revenues, money and credit, exchange and interest rates, aggregate wage and price policies and growth-oriented stabilization measures. These policies and instruments are required to establish an appropriate environment for sustainable growth with low inflation and to correct external imbalances. Since large disequilibria have generally emerged in association with excess demand, the Deputies emphasized that strong policies, particularly in the budgetary and credit areas, would usually be required to rein in aggregate demand to a level consistent with the availability of resources and to establish an appropriate environment for sustainable growth with low inflation. Similarly, the Deputies noted that realistic interest and exchange rates remained an essential component of Fund programs.

35. The Deputies emphasized, however, that macroeconomic policies alone would usually be insufficient to achieve sustained growth consistent

with a viable payments position and needed to be complemented by appropriate structural measures. The Deputies welcomed the fact that the Fund, in cooperation with the World Bank, had given increasing attention to structural problems in its program design, particularly in connection with the use of its extended arrangements.

36. The Deputies noted that the structural measures included in Fund-supported adjustment programs to strengthen borrowing countries' medium-term growth of output and exports involved matters in which the Bank had primary responsibility and a record of expertise. Accordingly, when incorporating structural measures in its programs, the Fund should rely on the judgment and advice of the Bank and its structural adjustment related prescriptions should be consistent with any Bank-supported program for the same country. On this understanding, Fund-supported programs might include structural measures such as:

- giving greater scope to market forces in the determination of prices, by removing subsidies and liberalizing pricing regimes;
- designing tax incentives to work, save and invest, and promoting competitive financial markets to achieve a more efficient allocation of savings; and
- liberalizing trade and foreign direct investment practices to open the economy and provide access to foreign goods, technology and capital.

37. In the view of the Deputies it was important for the Fund to protect the implementation of growth-oriented adjustment programs. The Deputies agreed that the recent establishment of the Compensatory and Contingency Financing Facility (CCFF) could facilitate the achievement of

this objective. The availability of contingent financing may prevent programs from being blown off course by unforeseen developments beyond a member's control. This should increase borrowing countries' confidence and willingness to adopt and implement comprehensive adjustment. The Deputies also agreed that more effective use of the Extended Fund Facility (EFF) was needed to promote the adoption of structural reforms.

38. The Deputies noted the net financial reflows that the Fund had experienced in recent years, but were of the view that they were consistent with the revolving nature of the institution's resources. They reflected both the heavy lending by the Fund in the early 1980s and the fact that some countries which utilized Fund resources at the time no longer needed its assistance, while others were not prepared to comply with the attendant conditionality.

39. Although the Fund's liquidity position was currently quite adequate, the Deputies recognized the importance of the Fund having sufficient own resources, both to meet legitimate requests for assistance by its members, in particular those implementing comprehensive adjustment programs, and to fulfill its systemic responsibilities, including its role in the strengthened debt strategy. They noted that the issue of the size of the Fund was being examined within the framework of the Ninth General Review of Quotas with a view to reaching a decision before the end of 1989.

40. The Deputies also assessed the Fund's enhanced surveillance procedure for countries that had made significant progress in addressing

payments difficulties but needed to continue the adjustment effort in order to regain access to voluntary lending. Although Fund resources are not committed under enhanced surveillance, the Deputies were of the opinion that the institution's credibility could be adversely affected if the procedure were perceived to be ineffective. Accordingly, the Deputies felt that the Fund should maintain high standards in the use of enhanced surveillance and encourage creditors to take countries' performance under enhanced surveillance into account in their lending decisions.

Fund relations with other creditors

41. The Deputies agreed that strong, effective adjustment programs were essential for catalyzing support from other creditors. The Deputies noted that so far the Fund had been guided in its relations with commercial banks by the principle that adjustment programs could not enter into effect until there was sufficient assurance that the financial support required to close the financing gap would be available. Strict adherence to this principle has led in certain instances to significant delays in providing timely support for debtor nations implementing appropriate reforms.

42. The Deputies observed that bridging operations, linked to assured sources of repayment, might sometimes be a necessary step in the process by which debtor countries reached agreement with the Fund and with commercial banks on financing packages. However, they were of the opinion that bridging operations should be used with restraint and expressed

concern about linking bridging operations to drawings under Fund programs which had not been approved or which had been approved only in principle. They stressed the importance of not pressuring the Fund to reach agreements which would not be fully consistent with its guiding principles.

43. The Deputies agreed that the Fund provided effective assistance in organizing debt restructuring and concerted lending and that Fund staff should continue to participate in meetings of commercial bank advisory committees. They noted that support for adjustment programs had enabled the Fund to act as a catalyst by facilitating agreement on debt restructuring and new money packages by private creditors, with the completion of agreements for, and disbursements under, such packages being monitored in the course of the Fund's financial arrangements. The Deputies noted that in recent years there had been significant changes in the terms and conditions of new lending to countries facing debt-servicing difficulties and that the range of financing options had been broadened.

44. The Deputies emphasized that before starting Paris Club debt negotiations, official creditors needed to be convinced that debtor countries would take the steps required to eliminate the causes of their payments difficulties and achieve a durable improvement in their external position. The Deputies noted that official creditors considered it necessary to rely on the Fund to help debtor countries in designing appropriate adjustment measures and therefore required an arrangement with the Fund to be in place before starting official debt negotiations. In the view of the Deputies Fund staff could play a useful role by assisting both

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debtor and creditor groups in preparing for these negotiations. Since 1982 there have been close informal contacts between official creditors, debtor countries and Fund staff. The Deputies agreed that Fund staff should consult with Paris Club creditors at an early stage on the scale of the debt consolidation they were prepared to consider.

45. The Deputies noted that many export credit agencies had made procedural changes to promote the maintenance or resumption of cover for countries undertaking adjustment programs. In the view of the Deputies the Fund should continue to assist export credit agencies in formulating their cover policies through its assessments of the economic outlook of countries facing debt-servicing difficulties.

The role of the Bank in the middle-income countries

46. Although the Bank has been engaged in adjustment lending since 1980, the introduction of the "Program for Sustained Growth" in 1985 has enhanced its role in the debt strategy. The Deputies noted the positive role so far played by the Bank in assisting countries to design and carry out structural adjustment programs. In particular, the Bank has used its Structural Adjustment Loans (SALs) and Sectoral Adjustment Loans (SECALs):

- to assist countries in designing and implementing structural and institutional reforms in support of growth-oriented adjustment programs;
- to supplement its project and sector lending with fast disbursing adjustment loans, which help maintain more satisfactory levels of

imports and growth during the adjustment process; and

- to act as a catalyst in mobilizing financial support from other sources.

The Deputies recognized that by supporting structural adjustment programs the Bank had helped to strengthen the creditworthiness of its members. They strongly urged the Bank to continue this approach. It will be an important factor in ensuring that its top credit-rating in financial markets is maintained.

47. The Deputies felt that the Bank should continue to adopt a longer-term perspective and to focus on structural and sectoral reforms in assisting in the design and implementation of adjustment programs. They noted that Bank adjustment programs require a sound macroeconomic framework. In this respect the most appropriate assurance continues to be the existence of a Fund lending arrangement. The Bank should rely on the judgment and advice of the Fund, and its prescriptions should be consistent with any Fund-supported program for the same country. Among the structural and sectoral reforms that would normally feature in Bank-supported programs are:

- market-opening measures designed to encourage foreign direct investment and capital inflows, as well as measures to liberalize trade, deregulate markets and reduce subsidies;
- reform of tax and administrative systems, production and trade, as well as of the financial sector to mobilize savings and facilitate efficient investment; and
- increased reliance on the private sector to help raise employment and efficiency, including privatizations when appropriate, restructuring of

state enterprises and sector policies.

The Deputies noted the complementary role of Bank and Fund programs in these areas, and reaffirmed that the Fund should be primarily responsible for reforms that ensure a stable macroeconomic environment and that the Bank should be responsible for reforms ensuring the effectiveness of development policies and the efficient allocation of resources in both the public and the private sectors. The Deputies agreed that a clear understanding between the Bank, the Fund and the borrower on the overall macroeconomic and structural reform measures was crucial to the success of the program. In particular, without a strong commitment on the part of borrowing countries such programs cannot produce the desired results.

48. The Deputies agreed on the importance of evaluating the effectiveness of adjustment policies and noted that the Bank conducted periodic reviews of its adjustment programs. The Bank's 1988 Report on Adjustment Lending indicated that the majority of agreed conditions in Bank policy-based lending had been fully implemented during the loan period, but pointed out that implementation had tended to be poorer on conditions related to institution building or requiring legislative action and that the difficulties and the time involved in implementing structural reforms had frequently been underestimated. The Deputies noted that in establishing conditionality for its SAL and SECAL lending, the Bank was now focusing on the satisfactory implementation of a few, high-priority conditions, on which waivers were granted sparingly, and only when justified by special circumstances.

49. The Deputies emphasized that the Bank should continue to encourage borrowers to introduce the necessary adjustment measures as soon as possible. Front-loading of the Bank's disbursements should be accompanied by prior action by the borrower. The Deputies also stressed that the Bank should monitor the reform process even more closely, and strictly enforce conditionality under its adjustment loans. In their view single tranche operations should be discontinued and disbursements linked more closely to fulfillment of conditions, while the effectiveness of conditionality could be enhanced by Executive Board review of tranche releases. In the opinion of the Deputies the Bank should also increase its emphasis on collaborating with debtor countries to develop an overall framework of medium- and long-term structural reforms designed to ensure that the measures supported by individual adjustment loans are mutually reinforcing and aimed at a consistent set of objectives.

50. The Deputies noted that the Bank was limiting its adjustment loans to one quarter of total Bank lending, and that its position as a major creditor of the adjusting countries meant it had a strong interest in the success of structural adjustment. The Deputies agreed that the possible impact on the Bank's financial standing of its mounting exposure in highly-indebted countries and increasing arrears had to be kept under constant review. In the opinion of the Deputies this further underscored the need for increased Executive Board involvement. It is essential for the Bank's country lending strategies and reviews to be discussed by the Board, to enable it to view loan proposals in their proper context.

Bank relations with other creditors

51. The Deputies noted that the Bank had used several avenues to channel external resources to debtor countries in connection with structural and policy reforms. The Deputies agreed that through this broad set of instruments the Bank had been effective in providing the support required for growth and adjustment in its member countries; they also noted that the willingness and capacity of some debtors to implement the necessary reforms had been limited. In order to help export credit agencies formulate their own lending policies, the Bank should continue to give them access to its assessments of members' investment priorities.

52. The Deputies agreed that the adoption of macroeconomic and structural reform programs under the auspices of the Bank and the Fund had been effective in increasing the willingness of commercial banks to participate in debt reschedulings and new money packages, in large part because it was recognized that the programs incorporated policy reforms that private lenders considered indispensable. Parallel financing has been used by the Bank to encourage commercial banks to provide additional new money for major debtor countries implementing reform programs. Under a parallel financing program, commercial bank disbursements are generally linked to those made under Bank loans. The Deputies emphasized, however, that loan repayments to the Bank and to commercial banks in parallel financing operations should not be contractually linked to each other in a way which failed to protect the preferred creditor status of the Bank. The Deputies noted that in exceptional circumstances the Bank had also used other credit enhancement techniques, such as direct participation

cofinancing and guarantees, to provide additional financial support under the debt strategy. In each of these instances, such action was deemed necessary to help complete financing packages that catalyzed significant financial flows from other sources. However, the Bank must ensure that such developments do not impinge on its lending resources, financial viability and institutional objectives.

53. In the view of the Deputies foreign direct investment would help sustainable growth by increasing productive capacity without creating new debt. The Deputies noted that substantial disincentives to such investment existed in most major debtor countries. They considered that the Bank could play a larger role in encouraging investment flows to debtor countries, particularly by advising on investment priorities and on the removal of regulatory and other barriers to foreign investment. The Deputies also suggested drawing on the expertise of the IFC and the MIGA to help reduce disincentives to foreign investment when setting the conditions on Bank adjustment loans. The Deputies therefore stressed that the efforts of the various arms of the Bank group should be further integrated. The Deputies also noted that progress within the GATT negotiations in the areas of investment and intellectual property would have a positive influence on foreign direct investment.

The role of the Fund and the Bank in the low-income countries

54. The Deputies agreed that a viable and sustainable solution to the debt problem of the low-income countries required a combination of

financing, adjustment and alleviation of debt obligations on a case-by-case basis. In the view of the Deputies a return to sustained growth on a market-oriented basis through strong and sustained implementation of reform programs offered the only reliable way out of the difficulties confronting these countries. There are, however, special and deeply-rooted problems which justify the provision of longer-term and highly concessional resources in support of adjustment efforts. The Deputies noted that such support for countries implementing adequate adjustment programs was now being made available through the Fund's ESAF, the Eighth Replenishment of the International Development Association, the Bank's Special Program of Assistance for Sub-Saharan Africa, the extension of concessional terms in multilateral reschedulings through the Paris Club, and bilateral forgiveness of some of the poorest countries' ODA debts.

55. In the view of the Deputies the establishment of the ESAF provided the Fund with new concessional and relatively long-term resources for helping the poorest countries undertake strong multi-year macroeconomic and structural programs to improve their balance-of-payments positions and foster growth. The large volume of resources that has been mobilized for the ESAF is a clear indication of the urgency the international community attaches to finding solutions to the problems of its poorest members and a testimony to the cooperative spirit that prevails within that community. They noted that the Fund had already committed ESAF resources in a number of cases and stressed that other low-income countries should now frame appropriate medium-term strategies to be supported by this facility.

56. The Deputies stressed the importance of Policy Framework Papers (PFPs) in establishing a consistent framework for growth-oriented adjustment and in mobilizing resources. PFPs, drawn up with the joint assistance of the Fund and the World Bank, describe borrowers' objectives over a moving three-year period. The macroeconomic and structural policies to be followed are set out, along with external financing requirements and possible sources of financing. The PFP process allows members to draw on the expertise of the Fund and the Bank in designing programs to improve growth prospects and move towards a sustainable external position.

57. The Deputies noted that the PFP process was also designed to catalyze external financing from donors and to improve donor coordination. But the Deputies emphasized that the mere existence of a PFP, or other outline of required policy measures, was no guarantee of success. In particular, the Deputies stressed that the program should be "owned" by the government of the country in question. Were the recipient government not to feel fully committed to the program, domestic political or social conditions could become obstacles to the implementation of otherwise technically sound adjustment policies.

58. Although traditional project lending was expected to remain the core of the Bank's development assistance to the low-income countries, the Deputies noted that the Bank's structural adjustment loans had been available since 1980 on both regular and IDA terms, the latter being of particular importance for the low-income countries. The Deputies noted that in the financial year 1988 SALs had accounted for about one third of

total lending to the low-income countries of Sub-Saharan Africa, a share well above the average. In addition, the reallocation of some existing funds under the Special Program for Sub-Saharan Africa has further increased the resources for that region.

59. The Deputies also noted that, in the light of the recommendations set out at the Toronto Summit, the Paris Club creditor countries had reached a consensus on alternative ways to alleviate the debt obligations of the low-income countries. The more favourable treatment has already benefited nine debtor countries and represents an important step forward.

60. In the view of the Deputies the present framework for dealing with the problems posed by the poorest heavily indebted countries represented a comprehensive approach for addressing their adjustment and financing needs. The framework emphasizes the need for macroeconomic and structural adjustment measures aimed at tackling protracted balance-of-payments problems and structural impediments to growth. Through the coordinated efforts of the Bretton Woods institutions, the Paris Club and bilateral and other multilateral agencies in the provision of highly concessional assistance, financial resources will be available to help the low-income countries' adjustment efforts in coming years. In addition, commercial creditors should be prepared to play their part in the alleviation of the debt problems of these countries. The Deputies emphasized that it remained important to ensure that macroeconomic and structural adjustment programs were successful in laying the basis for returning to a development path less dependent on emergency external

finance. Although recognizing that results so far had been mixed, the Deputies felt that this was due more to shortcomings in implementation than to weaknesses in the design of the adjustment programs. The Deputies were mindful of the practical difficulties involved in monitoring multi-year adjustment programs in countries where reliable economic statistics were scanty and where some of the traditional policy instruments were either lacking or of uncertain effect. They nevertheless emphasized their belief that these difficulties called for stronger rather than weaker programs, since long-term growth and development required a framework of sound macroeconomic and structural policies.

Chapter IV

THE ROLE OF THE FUND AND THE BANK IN THE STRENGTHENED DEBT STRATEGY

61. The Deputies welcomed the fact that suggestions had been made by several countries, during the course of their study, for strengthening the debt strategy, including proposals by France, Japan and the United States, which placed greater emphasis on debt and debt service reduction. They focused their attention on the recent US initiative, which provides a promising basis for further progress in this area.

62. In reviewing these proposals, the Deputies took account of the specific guidance of the Group of Seven, the Group of Ten, the Interim Committee and the Development Committee. They reaffirmed their belief that the basic principles of the case-by-case debt strategy remained valid and confirmed the central role of the Fund and the Bank in this context. The Deputies believed that the strengthened debt strategy should be based on:

- renewed emphasis in borrowing member countries on implementing, with the assistance of the Fund and the Bank, sound economic policies and, in particular, policies designed to mobilize savings and investment and reverse capital flight;
- increased focus by the banking community on voluntary, market-based debt and debt-service reduction as a complement to new lending; and

- the Fund and the Bank putting greater emphasis in their provision of financial resources on supporting debt reduction operations by countries implementing fundamental and convincing economic reforms, while continuing to adhere to their established principles and to protect their financial integrity.

63. The Deputies emphasized that debtors should make every effort to mobilize their own resources for investment more effectively by encouraging domestic savings, creating an open and attractive investment climate and fostering the repatriation of funds. As noted in Chapter II, capital flight has been on an extremely large scale, and the assets held abroad by nationals of several countries have been estimated to equal or exceed the external debt owed to commercial banks. These resources represent an important potential source of private capital for debtor countries and the Deputies urged the Fund and the Bank to work with debtor countries on economic reform programs aimed at their mobilization.

64. The Deputies agreed that greater emphasis on voluntary, market-based debt and debt-service reduction operations to complement new lending was warranted. Such operations could make an important contribution by reducing financing needs and the stock of debt to more manageable levels over time and provide a stimulus for stronger growth and sustained reform efforts.

65. The Deputies underlined the crucial role of commercial banks in addressing the debt problem. The Deputies were of the view that there was a need for greater diversity and flexibility in banks' financial

support for reform programs in debtor countries. In this respect, both support for debt and debt-service reduction and the provision of new money are essential. The Deputies also noted that the strengthened financial position of commercial banks had improved their ability to contribute to the solution of the debt problem. In order to facilitate a broader range of support for debtor countries' reform efforts, the Deputies thought that commercial banks should consider negotiating temporary waivers of provisions in existing lending arrangements that inhibited debt or debt-service reduction. The Deputies were firmly of the view that concrete negotiations on debt and debt-service reduction were a matter for the debtor countries and the commercial banks.

The Deputies agreed that the Fund and the Bank should play a continued central role in the strengthened debt strategy. Although the two institutions should not assume an activist attitude in creditor and debtor negotiations, the Fund, in collaboration with the Bank, should be prepared to make known the macroeconomic parameters that underlay programs and the financing that these implied. The Deputies stressed that official creditors should not substitute for private lenders. They also acknowledged that their governments should review tax, regulatory and accounting practices with a view to eliminating unnecessary obstacles to debt and/or debt-service reductions in a way that was consistent with maintaining the soundness and stability of the financial system.

66. The Deputies welcomed the fact that the Fund and the Bank were in the process of setting aside a portion of their policy-based lending tofacilitate debt reduction operations within the limits set by their established principles and the need to protect their financial

integrity. For example, these resources could be used by debtor countries to collateralize specific debt/bond transactions involving significant discounts on outstanding debt or to replenish exchange reserves following cash buybacks. They also noted that the Boards of the Fund and the Bank were examining the possibility of establishing limited interest support for transactions involving significant debt or debt-service reduction. The Deputies welcomed the progress being made in these matters by the two institutions in close cooperation.

67. In reviewing the role of the Fund in the debt strategy, the Deputies also examined the issue of financing assurances. The Deputies believed that the Fund should ensure that its financing in support of strong adjustment programs, including those involving debt reduction operations, was provided in a timely and flexible manner, while safeguarding the use of its resources. They believed that the Fund should continue to estimate debtors' external financing needs and be satisfied that programs were adequately financed. However, in cases where timely support for meaningful debtor reforms would otherwise be compromised and the required financing was likely to be agreed within a reasonably short time, the Fund could provide financial assistance even before all the other creditors had made firm commitments to fill a financing gap. Nevertheless, in view of the risks that are involved, the Fund should proceed with caution in adapting its policy on financing assurances.

68. The Deputies warmly welcomed the intention of Japan to extend additional finance in parallel to Fund arrangements within the framework of the strengthened debt strategy. They also underscored the

need for continuous active collaboration among all the parties concerned with the Paris Club and for the provision of export credit cover for countries implementing sound economic policies.

Chapter V

STRENGTHENING FUND-BANK COLLABORATION

69. The Deputies expressed satisfaction that collaboration had developed between the Fund and the Bank over the years. By working together at headquarters and in the field, both institutions have acquired a better understanding of the other's perspective and of the problems and policy options facing member countries. This has generally led to more consistent advice, better coordination and more effective use of resources.

70. The Deputies nonetheless agreed from the outset of their discussion on this issue that there was room for further progress. They noted that differences of view had emerged from time to time between the Fund and Bank staffs, reflecting the two institutions' different mandates and perspectives. They further noted that existing procedures and practices generally permitted these differences to be satisfactorily reconciled. However, in some cases differences have persisted and weakened the effectiveness of the two institutions in addressing the needs of borrowers and protecting the interests of their shareholders. The Deputies stressed that the definition of the respective areas of primary responsibility should be accompanied by a more forceful commitment to work together and by a strengthening of the procedures and mechanisms for

collaboration between the staffs, managements and Executive Boards of the two institutions in order to forestall conflicts, reconcile differences at an early stage and ensure consistent policy advice.

71. The Deputies stressed that daily interaction and ad hoc contacts between the staffs of the Fund and the Bank should be maintained and intensified. Cross-participation in missions should continue to be governed by flexible procedures. In the view of the Deputies there was scope for more joint missions and consideration could also be given to the possibility of a mission leader from either the Fund or the Bank being granted joint negotiating authority in PFP discussions, on the basis of terms of reference agreed by both institutions. The Deputies thought it desirable that the regular and ad hoc meetings between the Managing Director and the President be supplemented by regular meetings of senior officials of the two institutions, in addition to continued ad hoc meetings. The Deputies also recommended that the two institutions prepare a joint annual document on Fund-Bank collaboration to be reviewed by their Executive Boards.

72. The Deputies were of the view that strengthening collaboration at the Board level would usefully underscore the importance placed by member governments on a closer and more effective working relationship between the Fund and the Bank. Such collaboration would enhance the appreciation within each Board of the perspective and approach of the other institution and provide guidance on general issues. For example, joint seminars of the Fund and Bank Executive Directors could be held occasionally, both to review and improve the operation of PFPs and the

process itself and to discuss inconsistencies in policy advice that might have arisen. Effective coordination of policy positions in national capitals was also seen as crucial to avoid Fund and Bank Executive Directors receiving conflicting instructions. In this respect the Deputies stressed that member governments bore the main responsibility for effective collaboration between the two institutions.

73. The Deputies recognized that the introduction of the PFP process as part of the Fund's SAF and ESAF arrangements had significantly improved the coordination of the activities of the two institutions in the low-income countries. PFPs have increased the effectiveness of Fund and Bank operations by establishing an agreed general outline for adjustment programs with consistent structural and macroeconomic policies, thus providing a framework within which the two institutions can negotiate programs that are mutually reinforcing. In the view of the Deputies more could be done, however, to strengthen the PFP process.

74. PFPs are already a prerequisite for access to the Fund's SAF and ESAF and, accordingly, the Deputies considered that the role played by PFPs in the World Bank's policy-based lending could be strengthened. Specifically, the Deputies were of the opinion that the Bank, and its Executive Board, should be more actively involved in the PFP process and that PFPs should also be formally considered by the Executive Board of the Bank. Although the Bank's lending need not be "triggered" by PFPs, a stronger and more transparent link could be envisaged. For example, the Bank's management could refer to PFPs when submitting policy-based loans to the Board, in addition to reporting on future lending plans, within the

context of PFPs.

75. PFPs were also envisaged as being especially useful in catalyzing the support of other donors and creditors for adjustment programs. The Deputies felt that this aspect could be strengthened, but stressed that increased donor involvement should not lead to delays or a weakening of the document as a policy statement of the borrowing country. The involvement of bilateral and other multilateral donors could be achieved through increased informal consultation with the staffs of the two institutions, particularly in the early stages of the PFP process. Such consultative arrangements should ensure that the multilateral institutions, including regional development banks and aid agencies, complement each other's efforts more effectively. In recent years, substantial donor support has been catalyzed through cofinancing, especially for Sub-Saharan Africa through the IBRD's Special Program of Assistance.

76. The Deputies also considered the possibility of using the PFP process as a model for enhancing cooperation in connection with middle-income countries. In the view of the Deputies this would promote appropriate adjustment and financing scenarios and mutually reinforcing macroeconomic and structural reform efforts. The Deputies thought that the preparation of PFP-like documents could be particularly useful in the case of heavily indebted countries needing substantial macroeconomic adjustment, structural changes and financial resources.

77. The Deputies noted that most of the suggestions examined in

their discussions formed part of an agreement reached by the Managing Director of the Fund and the President of the World Bank on the collaboration between their respective staffs. The Deputies welcomed the agreement as an indication of the determination of the two institutions to improve and strengthen collaboration, thereby ensuring that differences are promptly resolved and do not result in conflicting policy advice to member countries.

78. Among the measures to improve collaboration that have been agreed upon, the Deputies felt that it was appropriate to underline those designed: (1) to strengthen existing procedures by a more systematic exchange of information; (2) to supplement daily interaction and ad hoc contacts with regular meetings of senior Fund and Bank officials to review, inter alia, each institution's strategy in countries of common concern; and (3) to seek early agreement between the two institutions whenever conditionality or advice to countries on major issues is involved, before the matter is discussed with the member and before either staff makes proposals to the member. The Deputies agreed that these and the other initiatives should be promptly implemented. The Deputies also welcomed the plan to strengthen coordination with regard to adjustment programs and to further consider the proposal to adopt a PFP-like procedure for some middle-income countries.

79. The Deputies noted that under the agreed procedures, in the event differences of view persisted at the staff level even after a thorough examination and were not resolved by the Fund and Bank managements, the institution which did not have the primary responsibility

would, except in exceptional circumstances, yield to the judgement of the other institution. In those cases, which are expected to be extremely rare, the managements would consult their respective Executive Boards before proceeding.

80. The Deputies considered alternative ways to strengthen the procedure. One proposal for dealing with disagreements which persisted between the two institutions envisaged the preparation by the dissenting institution of a paper explaining its concerns to the Board of the lending institution. The Board of the lending institution would then take a final decision after reviewing this document. The Deputies encouraged the Executive Boards of the Fund and the Bank to consider this and other procedures designed to produce a viable framework for resolving these differences.

Chapter VI

THE OVERDUE OBLIGATIONS TO THE FUND AND THE BANK

81. The Deputies noted that arrears to the Fund and the Bank were a matter of the greatest concern. The Deputies welcomed the Bank's recently strengthened provisioning policy and the three-pronged cooperative strategy developed by the Fund's Executive Board to resolve the arrears problem, which was endorsed by the Interim Committee in September 1988 in Berlin.

82. The Fund is a monetary institution and the revolving character of its resources is to be preserved. For its part, the Bank has to safeguard its credit rating and access to capital markets. The Deputies therefore thought it of the utmost importance that the preferred creditor status of the Fund and the Bank be acknowledged and strengthened. The Deputies were particularly concerned about the damage arrears caused to the cooperative nature of the two institutions. Arrears have adverse consequences for the individual country concerned, for the financial integrity of the institutions and their ability to carry out their functions and for the whole membership of the Fund and the Bank. As regards the Fund, the burden of arrears is already reflected in higher charges and lower rates of remuneration, thus falling both on its creditors and on its debtors that are fulfilling their obligations,

including low-income countries. As regards the Bank, arrears may lower its credit standing and increase the cost of its borrowing, thereby severely constraining the possibility of reducing loan charges to borrowers. It is therefore of the utmost importance that member countries make greater efforts than hitherto to ensure timely and full repayment to the Fund and the Bank.

83. Since arrears are generally associated with severe economic and financial difficulties, these must be taken into account in formulating a realistic solution. To this end, there will be a need for exceptional adjustment efforts by members in arrears and, where these are made, substantial assistance may have to be provided by the international community. It is therefore important that the Bank and the Fund maintain contact with countries in arrears, with a continuing dialogue on policies aimed at overcoming their economic and financial difficulties. The existence of a structured policy dialogue with country authorities is an important condition for the design of adjustment policies that are appropriate to the situation, acceptable to external creditors and aid donors and also internally sustainable.

84. However, to discourage countries from going into arrears and to reinforce efforts to resolve existing cases, there is also a need to take a firm line with countries that are not willing to cooperate. One major objective must be the strengthening of preventive measures to avoid new cases of arrears. To this end, it is essential to ensure that countries do not take on unsustainable repayment obligations, through the adoption of sound programs and the careful assessment of borrowers' ability to repay.

This is the responsibility of the countries involved as well as of the major creditors, the managements of the Fund and the Bank and their Executive Boards. Adequate conditionality, together with the provision of appropriate financing, is a necessary condition for enhancing countries' ability to repay and preventing arrears.

85. Where arrears are limited and of short duration, their clearance could be facilitated by the member making every effort to meet its obligations to the two institutions and by other creditors and donors providing timely and adequate financing. In cases of protracted arrears, the approach taken should be a balance between intensified collaboration to help those countries which are willing to cooperate in dealing with their arrears and their underlying economic difficulties, and taking firm measures against those that are clearly unwilling to do so. It may not always be possible to distinguish clearly between the inability and the unwillingness of a debtor to repay. The Deputies were of the opinion, however, that the two institutions should strive to make this distinction because a country that has undertaken to participate in the intensified collaborative approach to clear arrears is in a different position from one that has lost contact with the Fund and the Bank or has made a unilateral statement of unwillingness to meet its obligations.

86. A first step in making this distinction would be to examine the capacity to repay of a country by undertaking a careful evaluation of its economic situation. At the same time, in order to assess the country's willingness to cooperate, it would be appropriate to consider its actual payments record and whether it had discriminated against the Fund and the

Bank by giving preference to other creditors with comparable maturities and terms. Equally important would be the willingness of a country with protracted arrears to formulate and adopt a program of economic reforms that could facilitate their elimination. Willingness to collaborate with staff in consultations, including the provision of information such as that permitting the evaluation of repayment capacity, would be more general evidence of cooperation.

87. The Deputies thought that consideration could be given to an increased first drawing on the ESAF and the Fund General Account when a country had successfully implemented a Fund-monitored program for an appropriate length of time and paid its overdue obligations to the Fund. They agreed that under no circumstances should the Fund's general resources or ESAF resources be provided to countries in arrears, and that the Fund should ensure its resources were used only when there was sufficient assurance of repayment. The Deputies generally thought that, although some financing would usually be required from other sources during a "Fund-monitored" program, bridging to possible future Fund and ESAF access should be used with caution.

88. The Deputies stressed that all available support needed to be marshaled when assembling a package for assisting those countries in arrears that are prepared to cooperate. They noted that the Fund and the Bank would need to work in close collaboration in organizing help from other international financial institutions, governments and commercial banks in the context of a Fund "Support group" under the voluntary chairmanship of a creditor Government. Fund Support groups should

complement, not duplicate, the work of "Consultative groups" organized by the Bank. Consultative groups would retain their focus on mobilizing development assistance, while Support groups would develop -- on a case-by-case basis and when needed -- time-bound financing programs to clear arrears, thereby unblocking traditional financial channels.

89. The Deputies felt that remedial measures were an integral part of the Fund's efforts in cases where countries were not cooperating to eliminate their arrears and that the Fund must move expeditiously to apply such actions, as appropriate, in a firm manner. The Deputies endorsed the position agreed in principle by most Executive Directors that a member must discharge its overdue obligations to the Fund before paying for an increase in its quota; and that in the event the quota payment was not made within the prescribed period, the proposed quota increase for that member would lapse.

90. The Deputies noted with approval the Bank's policies of suspending disbursements on all loans to borrowers in arrears of over 75 days and placing borrowers with arrears of over 180 days in non-accrual status. The Deputies also agreed that as a rule the Bank's Executive Board should not consider loan proposals while a country is suspended from receiving disbursements. Such action, however, should not be applied, for instance, to countries that are negotiating arrangements to repay arrears or need to know the Bank's position in a possible "Fund-monitored" program being negotiated with the IMF. In no circumstance, however, should the World Bank make disbursements to countries that have not fully cleared their arrears to the Bank.

91. In the view of the Deputies the solution of the arrears problem calls for increased collaboration between the Fund and the Bank. The Deputies stressed that it was their strong preference for arrears to the Fund and the Bank to be cleared in a simultaneous and parallel fashion and that neither the Fund nor the Bank should commit new resources to countries with overdue obligations vis-à-vis the other institution unless the latter supported such financing. In exceptional circumstances it may be unavoidable for the Fund and the Bank to accept a sequential clearance of arrears. The Deputies agreed that before disbursing resources, the Bank should take the country's degree of cooperation with the Fund explicitly into account, and vice versa.

92. The Deputies considered other remedial measures to be applied, particularly to countries that were ineligible to draw on the resources of the Fund and the Bank because they were in arrears and were not cooperating to settle their overdue obligations. They thought it important for the two institutions to demonstrate that they were prepared to act resolutely in cases where cooperation was not forthcoming and for the membership to support the Fund and the Bank firmly when the application of remedial measures became necessary. The Deputies welcomed the recent decision by the IMF Board to provide additional information on overdue obligations in the Fund's Annual Report and Financial Statements, including the identification of members in arrears for more than six months and the disclosure of the amount and duration of the arrears of such members. They agreed that technical assistance should be provided to countries in arrears only where it was judged likely to be productive and

to serve the purpose of helping to restore normal relations with the Fund. They considered that in some cases the Fund should take more active steps to draw the attention of other members of the international community to the situation of countries in arrears. They thought that the issue of penalty charges might need to be reconsidered by the Fund if there were not sufficient progress in dealing with the arrears situation. The Deputies looked forward to the results of the study of the possibility of actions by the Fund with respect to members in arrears, including forms of public censure and non-cooperation status, as well as the adoption of procedures for the suspension of membership in the Fund. Finally, they stressed that the option of compulsory withdrawal, though to be pursued only after all other possible avenues to redress the problem had been exhausted, remained open to the Fund if a member persisted in failing to cooperate in resolving its arrears problems.

Table 1

SELECTED ECONOMIC INDICATORS

(percentages per annum, or as a percentage)

	1969-78	1979-81	1982	1983	1984	1985	1986	1987	1988
Industrial countries									
GNP growth	3.5	2.1	−0.3	2.8	4.9	3.4	2.6	3.4	4.1
Inflation (1)	7.8	8.3	7.2	5.0	4.4	3.5	3.4	2.9	3.1
Nominal interest rate (2)	8.1	14.3	13.6	9.9	11.3	8.6	6.8	7.3	8.1
Real interest rate (3)	1.4	4.7	6.8	5.9	7.3	5.5	4.0	3.9	4.5
Global indicators									
Change in real oil price (4)	19.0	30.3	−2.2	−9.1	0.4	−6.0	−57.6	15.2	−24.5
Change in real (5) non-oil commodity prices	2.0	−3.5	−7.9	9.9	7.5	−13.9	−16.1	−7.6	12.1

Source: *IMF.*
(1) GNP deflator. — (2) LIBOR on six-month US dollar deposits. — (3) LIBOR on six-month US dollar deposits, deflated by the US GNP deflator. — (4) Change in world oil price deflated by the dollar price of world exports of manufactures. — (5) Deflated by the dollar price of world exports of manufactures.

Table 2

INDICATORS OF ECONOMIC PERFORMANCE: FIFTEEN HEAVILY INDEBTED MIDDLE-INCOME COUNTRIES

(percentages per annum, or as a percentage)

	1969-78	1979-81	1982	1983	1984	1985	1986	1987	1988
Real GDP growth (1)	5.9	3.9	−0.2	−2.6	2.2	3.8	4.0	2.2	1.1
Real per capita income growth (2)	4.0	1.3	−4.5	−6.5	0.1	1.0	0.6	0.1	..
Inflation (3)	32.2	47.3	55.6	90.8	117.9	122.5	77.4	115.8	240.0
Fiscal balance (4)	−2.9	−2.0	−5.8	−4.9	−3.4	−2.8	−4.3	−5.8	−5.0
Investment ratio (5)	23.9	24.4	21.6	17.1	16.0	16.8	17.2	17.4	17.0
Export volume growth (6)	2.1	4.6	−5.0	5.6	8.7	2.3	−2.5	5.6	10.8
Import volume growth (6)	8.8	6.4	−16.3	−21.3	−2.2	1.2	−0.9	0.5	7.7
Terms of trade change (6)	4.4	4.4	−4.2	−3.5	3.1	−2.7	−15.8	−1.3	−1.9
Balance of payments on current account (US $ billions)	−8.6	−34.7	−50.8	−15.3	−1.5	−0.2	−16.0	−9.5	−9.0
Trade balance (US $ billions)	−1.0	−1.0	4.4	28.7	43.5	40.7	20.4	26.3	30.5
Balance of payments on current account as % of GDP	−2.2	−4.2	−5.5	−1.8	−0.2	—	−1.7	−0.9	−0.8
Trade balance as % of GDP	−0.1	−0.1	0.5	3.3	5.0	4.4	2.1	2.5	2.8

Source: *IMF, World Bank.*
(1) Arithmetic average of individual country growth rates weighted by average US dollar value of GDP over preceding three years. — (2) Adjusts real GDP growth for terms of trade effects and population growth. — (3) Geometric average of individual consumer price indices weighted by average US dollar value of GDP over the preceding three years. — (4) Central government fiscal balance as a percentage of GDP. — (5) Gross capital formation as a percentage of GDP. — (6) Compounded rates of change.

Table 3

INDICATORS OF ECONOMIC PERFORMANCE: LOW-INCOME SUB-SAHARAN AFRICA

(percentages per annum, or as a percentage)

	1969-78	1979-81	1982	1983	1984	1985	1986	1987	1988
Real GDP growth (1)	2.9	1.6	1.3	−1.1	0.1	1.9	4.0	3.5	3.6
Real per capita income growth (2)	−1.1	−2.5	−3.8	−4.0	−3.5	0.1	−0.7	−0.4	..
Inflation (3)	18.0	32.8	22.5	32.4	26.8	27.0	27.1	32.9	26.2
Fiscal balance (4)	−6.2	−7.9	−7.5	−6.2	−5.8	−6.5	−6.2	−6.0	−5.7
Investment ratio (5)	20.8	16.5	15.3	12.7	14.3	14.5	15.3	15.8	16.3
Export volume growth (6)	−0.9	−0.1	−2.8	−0.4	0.3	−4.0	10.2	−1.6	2.4
Import volume growth (6)	3.1	−1.3	−1.7	−10.2	0.2	−0.1	−4.3	−1.2	6.1
Terms of trade change (6)	−0.4	−5.2	−1.9	4.5	9.9	−2.4	−12.7	−8.5	3.3
Balance of payments on current account (US $ billions)	−1.7	−5.5	−6.0	−3.6	−3.4	−3.3	−3.6	−4.7	−5.3
Trade balance (US $ billions)	−0.8	−5.1	−6.1	−4.0	−2.9	−3.5	−3.7	−5.1	−5.7
Balance of payments on current account as % of GDP	−4.2	−7.5	−8.2	−5.2	−5.1	−4.8	−4.5	−5.8	−5.6
Trade balance as % of GDP	−1.6	−6.8	−8.4	−5.7	−4.4	−5.0	−4.7	−6.2	−6.1

Source: *IMF, World Bank.*
(1) Arithmetic average of individual country growth rates weighted by average US dollar value of GDP over preceding three years. — (2) Adjusts real GDP growth for terms of trade effects and population growth. — (3) Geometric average of individual consumer price indices weighted by average US dollar value of GDP over the preceding three years. — (4) Central government fiscal balance as a percentage of GDP. — (5) Gross capital formation as a percentage of GDP. — (6) Compounded rates of change.

Table 4

DEBT AND DEBT SERVICING: FIFTEEN HEAVILY INDEBTED MIDDLE-INCOME COUNTRIES

(US $ billions, or as a percentage)

	Average 1970-79	Average 1979-81	1982	1983	1984	1985	1986	1987	1988
Total debt outstanding (US $ billions) (1) of which:	96.9	275.7	381.4	397.4	409.6	422.7	447.4	482.7	477.4
Short-term (% of total)	10.3	18.7	19.8	14.3	13.3	8.2	7.5	7.8	8.0
Total debt outstanding as % of exports of goods and services	160.0	185.0	268.3	291.9	271.3	288.3	348.7	338.7	299.8
Amortisation (2) (US $ billions)	10.8	26.4	29.4	16.7	18.7	17.7	21.7	19.7	24.3
Interest (2) (US $ billions)	6.3	26.7	44.3	40.2	44.3	41.9	36.4	31.0	38.7
Interest as % of exports of goods and services	10.3	17.7	31.2	29.5	29.4	28.6	28.3	21.7	24.3
Interest accruals (3)	5.9	26.8	45.5	41.3	46.7	44.2	39.8	38.1	42.4
Accruals as % of exports of goods and services	8.9	17.6	32.0	30.4	31.0	30.2	31.0	26.7	26.6
Debt service as % of exports of goods and services	27.3	35.7	51.9	41.8	41.7	40.7	45.3	35.5	39.6
Memorandum item: Cash flow impact of rescheduling (4)	0.1	0.3	1.8	21.1	28.4	29.1	34.1	44.6	38.4
Debt owed to (US $ billions):									
Commercial banks (5)	..	..	287.0	304.4	301.4	309.5	320.9	326.1	327.1
World Bank (6)	5.2	10.5	13.9	16.4	16.7	22.9	31.8	41.8	39.8
Other official lenders (7)	15.7	31.5	38.8	46.9	54.5	62.9	70.7	83.9	92.2
Use of IMF resources (8)	1.3	3.1	5.9	11.8	14.2	17.7	19.5	21.2	19.4
Use of IMF resources as % of quotas	34.5	44.9	84.5	125.9	160.0	177.7	176.2	165.0	153.6
Ratio of gross reserves to imports (9)	32.3	25.8	13.5	17.7	25.4	27.1	23.0	24.6	19.6

Source: *IMF, World Bank.*
(1) Excluding use of IMF and IMF-administered resources. — (2) Payments actually made (i.e. after reschedulings and arrears). Exceptional financing items, including accumulation of arrears and impact of rescheduling, should be added to arrive at indication of the ex ante scheduled debt-service burden. — (3) Scheduled interest payments (derived from WEO current-account submissions). — (4) Allocates rescheduling of future payments due to year in which rescheduled payment was originally due. — (5) Cross-border bank claims outstanding, as reported in *International Banking Statistics.* — (6) Book value of liabilities outstanding to IBRD and IDA. — (7) Excluding use of IMF resources. — (8) Net credit from IMF, including outstandings under General Resources Accounts, Trust Fund, SAF and ESAF. — (9) Official holdings of gold are valued at SDR 35 an ounce; ratio to imports of goods and services.

Table 5

DEBT AND DEBT SERVICING: LOW-INCOME SUB-SAHARAN AFRICA

(US $ billions, or as a percentage)

	Average 1970-79	Average 1979-81	1982	1983	1984	1985	1986	1987	1988
Total debt outstanding (US $ billions) (1) of which:	12.1	30.1	37.6	39.8	42.2	48.9	56.1	65.4	68.0
Short-term (% of total)	8.0	10.8	9.5	8.2	8.5	9.1	8.3	8.1	8.0
Total debt outstanding as % of exports of goods and services	122.5	202.3	290.7	311.6	317.0	394.8	412.9	462.5	437.8
Amortisation (2) (US $ billions)	0.6	1.2	1.5	1.2	1.9	1.9	2.0	2.0	2.3
Interest (2) (US $ billions)	0.6	1.3	1.5	1.4	1.6	1.9	1.7	1.8	1.9
Interest as % of exports of goods and services	5.8	8.6	11.5	11.2	12.4	15.6	12.6	12.8	12.4
Interest accruals (3)	0.5	1.6	1.8	1.9	2.5	2.5	2.8	3.2	3.6
Accruals as % of exports of goods and services	5.3	10.5	14.2	14.7	18.6	20.2	20.9	22.8	23.0
Debt service as % of exports of goods and services	12.2	16.5	22.7	20.8	26.9	31.1	27.5	26.8	27.0
Memorandum item: Cash flow impact of rescheduling (4)	0.2	1.4	0.4	1.6	2.0	1.5	3.7	3.0	1.6
Debt owed to (US $ billions):									
Commercial banks (5)	..	..	9.2	8.1	7.7	8.6	9.0	9.5	8.9
World Bank (6)	1.3	3.1	4.3	4.9	5.6	6.8	8.4	10.8	13.3
Other official lenders (7)	6.3	17.2	23.0	24.3	26.0	30.1	35.4	41.0	41.2
Use of IMF resources (8)	0.7	2.8	3.9	4.6	4.7	5.3	5.6	6.2	6.0
Use of IMF resources as % of quotas	58.9	152.7	214.3	206.2	216.2	220.6	208.4	200.2	190.4
Ratio of gross reserves to imports (9)	21.3	11.0	7.4	9.5	10.3	13.1	14.5	12.1	11.1

Source: *IMF, World Bank.*

(1) Excluding use of IMF and IMF-administered resources. — (2) Payments actually made (i.e. after reschedulings and arrears). Exceptional financing items, including accumulation of arrears and impact of rescheduling, should be added to arrive at indication of the ex ante scheduled debt-service burden. — (3) Scheduled interest payments (derived from WEO current-account submissions). — (4) Allocates rescheduling of future payments due to year in which rescheduled payment was originally due. — (5) Cross-border bank claims outstanding, as reported in *International Banking Statistics.* — (6) Book value of liabilities outstanding to IBRD and IDA. — (7) Excluding use of IMF resources. — (8) Net credit from IMF, including outstandings under General Resources Accounts, Trust Fund, SAF and ESAF. — (9) Official holdings of gold are valued at SDR 35 an ounce; ratio to imports of goods and services.

Table 6

EXTERNAL FINANCING: FIFTEEN HEAVILY INDEBTED MIDDLE-INCOME COUNTRIES

(US $ billions)

	Annual average 1970-79	Annual average 1979-81	1982	1983	1984	1985	1986	1987	1988
Balance of goods, services and private transfers	−11.4	−35.3	−51.3	−16.0	−1.9	−1.0	−16.6	−10.1	−9.7
Net external borrowing of which:	16.4	46.2	46.8	24.2	14.9	4.2	9.7	10.6	0.1
Private borrowing (1)	13.5	40.8	33.4	9.3	2.8	−9.1	−4.7	−6.4	−5.2
Commercial bank lending (2)	..	..	..	10.2	5.0	−4.1	−1.5	2.3	−16.8
Net flow from World Bank	0.7	1.5	1.8	2.5	3.0	2.4	3.4	2.3	1.5
Net IMF credit	0.2	0.6	2.2	6.3	3.3	1.6	−0.2	−1.3	−1.4
Other official borrowing	1.9	3.1	5.7	8.8	6.2	9.3	9.8	15.5	5.3
Short-term borrowing between monetary authorities	0.1	0.1	3.7	−2.7	−0.3	−0.1	1.4	0.4	−0.2
Exceptional financing (3)	0.3	1.5	12.5	28.8	30.0	22.0	35.1	34.9	32.2
Arrears	—	—	7.8	11.4	0.9	−2.4	4.2	3.1	3.7
Memorandum item: Concerted lending commitments, gross	—	—	—	13.9	16.5	2.1	8.0	2.3	5.7
Official transfers	0.5	0.7	0.5	0.6	0.4	0.9	0.6	0.6	0.7
Direct investment	2.5	5.5	6.3	3.3	3.1	4.3	3.7	5.6	8.4
Other (4)	−6.6	−8.4	14.6	−2.8	−14.7	−4.3	2.0	−6.8	2.9
Errors and omissions	−1.4	−8.6	−16.9	−9.4	−1.8	−4.1	0.6	0.2	−2.4
Memorandum item: Net transfer of resources (US $ billions) (5)	−5.9	−13.2	−9.3	21.2	38.0	37.3	17.3	23.3	27.8
(As % of GDP)	−1.2	−1.6	−1.0	2.5	4.4	4.1	1.8	2.2	2.6

Source: *IMF*.
(1) Residually calculated: net external borrowing less net flow from World Bank, net credit from IMF, other long-term borrowing from official creditors, liabilities constituting foreign authorities' reserves. — (2) Change in cross-border bank claims outstanding, excluding valuation effects, as reported in *International Banking Statistics*. Commercial bank lending is a component of private borrowing as measured in the previous line. — (3) Comprises accumulation of arrears and impact of rescheduling, debt forgiveness and BOP-support loans. — (4) Use of reserves, asset transactions, SDR allocations, valuation adjustments, and gold monetization. — (5) Balance on goods and non-factor services, a surplus (positive sign) represents a transfer from developing countries to their creditors.

Table 7

EXTERNAL FINANCING: LOW-INCOME SUB-SAHARAN AFRICA

(US $ billions)

	Annual average 1970-79	Annual average 1979-81	1982	1983	1984	1985	1986	1987	1988
Balance of goods, services and private transfers	−3.3	−8.0	−8.6	−6.5	−6.1	−6.6	−7.3	−8.8	−9.9
Net external borrowing of which:	2.1	5.4	5.5	4.4	3.2	3.4	4.0	4.5	5.0
Private borrowing (1)	0.5	0.5	0.7	0.9	−0.4	−0.5	−1.1	−0.6	1.9
Commercial bank lending (2)	..	..	..	−0.5	0.1	0.1	−0.4	—	—
Net flow from World Bank	0.2	0.5	0.7	0.6	0.8	0.7	1.1	1.5	1.5
Net IMF credit	0.2	0.8	0.5	0.9	0.4	0.1	−0.3	−0.2	−0.1
Other official borrowing	1.2	3.4	3.4	2.1	2.6	3.0	4.2	3.9	1.8
Short-term borrowing between monetary authorities	0.1	0.2	0.2	−0.1	−0.1	0.1	0.1	−0.1	—
Exceptional financing (3)	0.2	0.8	1.7	1.8	2.6	3.1	3.6	3.6	4.2
Arrears	0.1	—	1.3	0.1	0.3	1.6	0.7	0.7	2.2
Official transfers	1.2	2.5	2.7	2.9	2.7	3.3	3.7	4.1	4.7
Direct investment	0.2	0.3	0.2	0.1	0.1	0.1	0.2	0.2	0.2
Other (4)	−0.2	—	0.5	−0.3	−0.2	—	−0.3	0.1	—
Errors and omissions	−0.1	−0.1	−0.3	−0.6	0.3	−0.2	−0.3	−0.1	—
Memorandum item: Net transfer of resources (US $ billions) (5)	−2.4	−6.7	−7.4	−5.2	−4.3	−5.1	−5.6	−6.8	−7.7
(As % of GDP)	−5.6	−9.0	−10.1	−7.5	−6.4	−7.3	−7.0	−8.3	−8.2

Source: *IMF.*
(1) Residually calculated: net external borrowing less net flow from World Bank, net credit from IMF, other long-term borrowing from official creditors, liabilities constituting foreign authorities' reserves. — (2) Change in cross-border bank claims outstanding, excluding valuation effects, as reported in *International Banking Statistics.* Commercial bank lending is a component of private borrowing as measured in the previous line. — (3) Comprises accumulation of arrears and impact of rescheduling, debt forgiveness and BOP-support loans. — (4) Use of reserves, asset transactions, SDR allocations, valuation adjustments, and gold monetization. — (5) Balance on goods and non-factor services, a surplus (positive sign) represents a transfer from developing countries to their creditors.

Table 8

LONG-TERM BANK DEBT RESTRUCTURING, 1983-88 (1)

(US $ millions)

	1983	1984	1985	1986	1987	1988
Argentina	—	14,200	—	—	29,500	—
Brazil	4,452	4,846	—	(2) 6,671	—	61,000
Mexico	18,800	48,700	—	43,700	—	—
Other major debtors (3)	7,485	30,344	14,754	9,073	41,703	9,106
Others	3,861	2,792	2,941	3,039	(4) 20,308	6,378
Total	**34,598**	**100,882**	**17,695**	**62,483**	**91,511**	**76,484**
Cash flow impact of rescheduling on fifteen heavily indebted middle-income countries (5)	21,100	28,400	29,100	34,100	44,600	38,400

Source: *IMF, World Bank.*
(1) Classified by year of agreement in principle, including short-term debt converted into long-term debt. Excluding amounts deferred. — (2) Excluding $9.6 billion in deferments corresponding to maturities due in 1986. — (3) The remaining fifteen heavily indebted middle-income countries. — (4) Including the South African agreement of 1987. — (5) Including official rescheduling.

Table 9

DEBT CONVERSIONS, 1984-88 (1)

(US $ millions)

	1984	1985	1986	1987	1988
Argentina	(2) 31	(2) 469	—	—	1,362
Brazil	731	537	176	290	(3) 1,964
Chile	—	323	974	1,983	2,606
Mexico	—	—	413	1,741	(4) 1,356
Others (5)	—	—	22	538	929
Total	**762**	**1,329**	**1,585**	**4,552**	(6) **8,217**

Source: *IMF.*
(1) Face value of debt converted under officially recognized operational schemes. — (2) Annual breakdown estimated. — (3) January to October 1988. — (4) Does not include the exchange of $3,671 million of medium-term bank debt for $2,556 million in twenty-year collateralized new Mexican bonds or $6-8 billion in pre-payments since August 1987 signing of the Ficorca restructuring. — (5) Costa Rica, Ecuador, Honduras, Jamaica, the Philippines, Uruguay, Venezuela. — (6) Figures do not include the exchange of $64.4 million of Bolivian debt to banks for $7.1 million in twenty-five-year collateralized bonds as part of a buy-back scheme.

ANNEX

MEMBERS OF THE GROUP OF DEPUTIES[1]

CHAIRMAN:	LAMBERTO DINI	BANK OF ITALY
BELGIUM:	J. VANORMELINGEN J.J. REY	MINISTRY OF FINANCE NATIONAL BANK OF BELGIUM
CANADA:	W. DOBSON R. WHITE	DEPARTMENT OF FINANCE BANK OF CANADA
FRANCE:	J.C. TRICHET J. WAITZENEGGER	MINISTRY OF ECONOMY, FINANCE & BUDGET BANK OF FRANCE
GERMANY:	H. TIETMEYER L. GLESKE	MINISTRY OF FINANCE GERMAN FEDERAL BANK
ITALY:	M. SARCINELLI F. SACCOMANNI	MINISTRY OF THE TREASURY BANK OF ITALY
JAPAN:	T. GYOHTEN T. OHTA	MINISTRY OF FINANCE BANK OF JAPAN
NETHERLANDS:	C. MAAS A. SZASZ	MINISTRY OF FINANCE NETHERLANDS BANK
SWEDEN:	G. LUND K. EKLOF	MINISTRY OF FINANCE BANK OF SWEDEN
SWITZERLAND:	J. ZWAHLEN D. KAESER	NATIONAL BANK OF SWITZERLAND DEPARTMENT OF FINANCE
UNITED KINGDOM:	N. WICKS A. CROCKETT	H.M. TREASURY BANK OF ENGLAND
UNITED STATES:	D.C. MULFORD M. JOHNSON	U.S. TREASURY DEPARTMENT FEDERAL RESERVE SYSTEM

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P.M. KELLER (IMF)	S. REBECCHINI (BANK OF ITALY)
N. VANSTON (OECD)	

1. The following officials, who were Deputies at the time, participated in some of the meetings: MR. JANSON (Belgium), MR. JUBINVILLE (Canada), MR. MASERA (Italy), MR. ASBRINK (Sweden), MR. LITTLER (United Kingdom), and MR. LOEHNIS (United Kingdom).