

OFFICIAL DEBT 'MARKETIZATION'¹

by

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¹ This study is a sequel to the UNCTAD Report on "Conversion of Official Bilateral Debt" by Percy S Mistry and Stephany Griffith-Jones published by UNCTAD in 1993. It explores in greater depth prospects for and issues related to the trading of official debt on established LDC debt trading markets. The author gratefully acknowledges the very valuable inputs made by Percy Mistry into this paper, particularly to section III.

I INTRODUCTION

In late 1991, the UN Conference on Trade & Development (UNCTAD) launched a Project on the Conversion of Official Bilateral Debt. A Project Report was completed in April 1992 and discussed at an UNCTAD conference in Geneva in July 1992. It raised several issues concerning the trading of official bilateral claims in established LDC debt markets, which it was felt should be further explored in the second phase.

When the UNCTAD Project was first launched a number of Export credit agencies (ECAs) were sceptical about exercising the 'conversion clause' that had been inserted in Paris Club Rescheduling Agreements (PCRAs) for countries rescheduled under Houston Terms (HT) and later under enhanced Toronto Terms (ETT). They were even less convinced about the saleability or tradeability of their claims at an appropriate discount. Since then, however, a number of ECAs (including the UK's ECGD) have developed active (discounted) debt sales programmes and are pursuing them aggressively, disposing of their claims through sales directly to end users and through market intermediaries. Very little, if any, of their paper is traded on LDC debt markets in the same way as commercial paper and in particular as 'Brady bonds'.

Under the PCRAs agreed up to December 1992, conversion clauses have appeared in 13 countries rescheduled under ETT and 12 countries rescheduled under HT. These countries are:

PCRAS UNDER ETT			PCRAS UNDER HT		
Benin	Honduras	Togo	Cameroon	El Salvador	Peru
Bolivia	Mali	Uganda	Congo	Jamaica	Philippines
Ethiopia	Nicaragua	Zambia	Cote d'Ivoire	Jordan	
Eq Guinea	Sierra Leone		Dominican Rep	Morocco	
Guinea	Tanzania		Ecuador	Nigeria	

The 13 countries rescheduled under ETT are not those typically traded in LDC debt markets although a price quote for their debt is always available usually with a very large bid-offer price spread. The bulk of market trading in LDC debt paper is accounted for by those larger severely indebted middle-income countries (SIMICs) which have already negotiated Brady packages with their commercial bank creditors or are about to do so. They also include countries like Brazil (which has negotiated but not yet formally concluded a Brady deal) with a large stock of commercial debt outstanding. Trading in Argentine, Brazilian, Mexican and

Venezuelan paper probably accounts for about two-thirds of trading volume in LDC debt markets. Indeed, it is noteworthy that trading in LDC markets has become more concentrated in a few countries (the more creditworthy ones) than in previous years. However, there is an active market in the debt of several countries rescheduled under HT, in particular those that have concluded Brady deals (Morocco, Nigeria and the Philippines) as well as other severely indebted lower middle-income countries (SILMICs) such as Ecuador, Jamaica and Peru.

This study will start (in section II) by reviewing in a synthetic manner the experience of different creditor governments in selling bilateral debt. As we will see, the experience is rather varied, depending on preferences of governments, their budgetary situation, and their regulatory arrangements.

In the next section (III), issues related to the creation of a market will be explored, including a discussion of the role to be played by financial intermediaries, as market makers, the mechanisms needed to transform debt into a tradeable paper (including reference to issuance techniques), whether separate market segments need to be created. Secondly, this section will develop in some depth a discussion of the impediments analyzed for creating a market. Amongst the impediments one in particular (the need for better information on SILIC's and SILMIC's, easily available to market actors) had not appeared in the initial outline of the study as a potential impediment, but emerged as an important one in the discussions with market actors. Section III draws on a series of discussions held by the author (mostly accompanied by Percy Mistry) with commercial and merchant bankers.

Section IV will briefly address some important technical factors not already discussed. These include in particular a review of how prices are determined currently for official debt conversions in specific creditor countries and a discussion of the extent to which official bilateral debt is used only for 'end use' operations or its' use is broadened to other (more speculative purposes), allowing greater market deepening.

Section V extracts general conclusions and makes recommendations.

II REVIEW OF CREDITOR COUNTRY EXPERIENCE

This section will attempt to synthesize the experience of different creditor governments in selling official bilateral debt.² A first distinction will be made between creditor countries active within this field, those about to become active and those relatively unlikely to do much in this area. A second distinction will relate to the extent that countries sell bilateral debt directly, as opposed to those which use financial intermediaries. As we shall see, there is a clear preference by ECAs for direct operations, that is those which do not use financial intermediaries. ECAs seem to feel that the costs of hiring such intermediaries (particularly on a systematic basis) is potentially higher than the likely benefits.

Amongst the creditor countries studied, those which are or have been trading official bilateral debt particularly actively include: Switzerland, Belgium (which pioneered such deals even before the 10% clause was approved), United Kingdom (a fairly recent but very active convert to such deals), France, Spain and Sweden. Countries trading but reportedly on a fairly limited scale include Holland (which was a pioneer in debt for development swaps). Countries which are studying the possibility of trading bilateral debt and/or are waiting for final approval, either within the Executive Branch of Government or the Congress, include the US and Germany. Countries where implementation of such deals seem less likely at present - due largely to severe budgetary restrictions - include Italy and Canada. However, both countries have been fairly active in providing debt relief, and Canada is implementing a \$145 million debt conversion for environment and development in Latin American countries.

We will concentrate here more on reviewing relevant aspect of the experience of those countries that are most active in selling bilateral debt paper, that is Belgium, Switzerland, United Kingdom and France. (The issue of pricing - and what criteria different creditor countries adopt - is discussed in section IV).

As pointed out above, Belgium pioneered sales of bilateral official debt, well before the 10% clause was approved in Houston. It therefore has the longest period of experience with these deals.

The Belgian ECA, the Office National du Ducroire, is a firm advocate of selling paper by direct means. It is interesting that a fairly large scale of operation has been

² This section draws on extensive interview material by the author and on the report by Owen Stanley Financial Services Official Bilateral Debt Conversion: Survey of Regulatory and Budgetary Frameworks. Report submitted to UNCTAD, June 1993.

achieved in Belgium by such direct sales. Indeed, by late 1993, the Belgian Ducroire has sold slightly above B.F. 6 billion (around US\$170 million) of bilateral debt.³ Given the relatively small scale of total Belgian exposure to SILIC's and SILMIC's, this is an important achievement. It is interesting that, of the B.F. 6,054 million (face value) of bilateral debt sold by the Belgian Ducroire, BF 3,295 million (that is 54%) was sold for debt equity, whereas the rest, BF 2,759 million (that is 46%) was sold for development purposes, mainly to the Belgian Ministry of Cooperation.

It is interesting that the Belgian ECA does not just sell to Belgian institutions; for example, it is involved in a deal with selling SILIC country debt to a Swiss financial institutions, which will use it for development purposes.

As regards the country, whose debt the Ducroire has been most successful in selling, it is Egypt; on a smaller scale, there have also been sales of Tanzanian and Madagascar debt, as well as other countries.

The Belgian Ducroire carries out these transactions with its' regular staff (consisting of eight people). This staff is not exclusively devoted to debt sales, but deals also with the mainstream business of an ECA, the preparation of consolidation agreements.

The Ducroire naturally faces technical problems, such as the preparation of appropriate documentation (including promissory notes), and the need to obtain clear approval by debtor governments and/or central banks for the sale of the debt and the corresponding release of local currency. Though time-consuming, the Ducroire representatives do not consider these technical problems as major obstacles.

They feel that the most cost-effective and speedy way of selling debt is by doing it directly. They feel that introducing financial intermediaries would lead to unnecessarily complicated changes in documentation, which are time-consuming and may be costly.

The Belgian ECA strongly advocates a substantial expansion of the 10% limit, which it feels has become an important barrier to the scale of its' operations.

As regards Switzerland, it has developed perhaps the most interesting, enlightened and development oriented programme of debt conversions. Based on NGO lobbying, supported by 200,000 signatures, special (additional) resources were

³ Estimates given by the Belgian Ducroire. Interview material. I thank Mr Chris Wincke for providing such precise information.

allocated by Parliament) with the purpose of helping reduce debt burdens in the poorest and most severely indebted developing countries. The total scale of funding allocated is quite significant, reaching SF 700 million.

An important part of these resources have been allocated to reduce official bilateral debt. The first step was for the Debt Reduction Facility (DRF) to purchase the 'tail-end' of Paris Club debt, for a list of specified countries from exporters and banks. As we will discuss below, the price offered was close to (though slightly higher) than the secondary market price. The operation was extremely successful, in that reportedly 95% of 'tail-end' claims (the uninsured portion of bilateral claims) of relevant countries were bought.

It should be stressed that this operation did **not** involve initially **selling** of debt by the ECA, but on the contrary a **purchase** by the government established and funded DRF of 'tail-end' debt from suppliers and banks. In a second stage, the Swiss ECA will assign its' share of the loans to the Swiss Government. In the third stage, the Swiss government entered into negotiations with debtor governments for either cancellation or conversions.

The operation of purchase of debt was carried out by the DRF. This institution released a notice (see Appendix 1) in trade journals and other related publications in March 1992, in which it outlined the procedure for the purchase of the 'tail-end' of the bilateral debt; the notice included a list of eligible countries (which total 22, see Appendix 1 of the list) and the prices at which it offered to buy. The offer ended three weeks later. The operation of purchase was carried out by an extremely small group of people at the DRF.

As pointed out above, the operation was extremely successful, as 95% of the uninsured portion of the bilateral debt was bought.

The Swiss case is very special in that additional resources were provided by Parliament (not coming from the aid budget) specifically for this operation.

The scale, the speed and the efficiency with which the operation of purchase was carried out is impressive. It is important to note that it was carried out by a very small team, and did not involve private financial intermediaries.

As regards some of the larger creditor countries, the United Kingdom export credit agency, the ECGD - though a late convert - has become an enthusiastic seller of bilateral debt.

Indeed in September 1992, a deep change occurred in ECGD policy, announcing a programme to sell off part of its debt rescheduled in the Paris Club. This initiative was a surprise, as previously the ECGD was one of the agencies most reluctant to sell debt.

In contrast with the Swiss initiative, but similarly to the Belgian one, the UK bilateral official debt sales have a **purely commercial motivation**. Indeed, the reason why ECGD sells is to increase its' revenue, by obtaining a higher level of income than the net present value of the projected recovery of debt service payments. The net present value of projected debt payments provides a floor beneath which the ECGD is not willing to sell.

The operation has been very successful, as in the first six months, around £100 million of debt was sold, this represents about 20% of the total eligible debt available for sale. Reportedly, Tanzania is amongst the countries where ECGD sales have been most successful, as most interest has been shown in purchasing this paper, and as after some initial efforts, which included a visit from the ECGD representatives to Tanzania - all the relevant documentation was agreed with the Tanzanian authorities.

The ECGD stressed - based on its' own recent selling experience - that the main constraint for carrying out such sales is the lack of conversion programmes or lack of clear mechanisms within those programmes in the debtor countries. Furthermore, according to ECGD sources, only a few debtor governments perceive the value of such conversions. The role of institutions like UNCTAD and others providing technical assistance to establish, simplify and make transparent such operations was stressed.

The demand for ECGD paper comes from banks (who wish to act as a financial intermediary) and increasingly from end-users (mainly foreign investors, but also some NGOs). The ECGD seems to prefer to deal with end-users as, according to their perception this allows for greater speed and somewhat higher prices for the ECGD.

It is interesting that the Commonwealth Development Corporation is in the process of purchasing some ECGD debt, on a small scale, to be used for obtaining local currency for a specific project (rehabilitation and expansion of a tea plantation) in a SSA country.⁴ This is the first of such operations. Though there has been some

⁴ Interview material.

speculative discussion within CDC to repeat these operations on a systematic basis, there is as yet no clear progress on such an approach.

It is also interesting that the ECGD, unlike some government export agencies on the Continent of Europe (such as France) is not too concerned about monitoring end-use directly by itself, as it relies on the debtor government to ensure that the end-use will be a legitimate one, and thus that the debt conversion will not have undesirable effects (such as round-tripping). All that the ECGD requires is that a warranty be given to this effect. This is in contrast with the attitude of COFACE, the French ECA which has introduced a fairly complex procedure to monitor and verify end-use. As proportionally, the scale of debt sales by the ECGD in a similar period is higher than that of COFACE, this would seem to provide some evidence that there may be a trade-off between following up end-use of debt sold and the resulting scale of operations.

It is interesting that the ECGD prefers, at least initially, sales of debt which produce an immediate, or near immediate cash return to it, and which will allow for the local currency to be invested or used for other objectives (e.g. developmental) in the debtor countries. However, the ECGD does not rule out completely the possibility of its' own participation in a debt/equity operation (or its' joint participation in a debt/equity operation, with an institution like the Commonwealth Development Corporation), if the schemes suggested are thought to be financially viable.

ECGD had debt available for sale for debt conversion in early 1993 in 22 countries, with another 8 possibly becoming eligible at a later date. Finally, it should be stressed that the ECGD, like the Belgian Ducroire, now firmly believes that the 10% limit on debt conversions should be eliminated or at least increased (with clear preference for the former).

As regards France, the French Treasury started auctioning claims on LDC debtors in September 1992. It started by auctioning Philippine claims, then those of Tanzania (with FF120 million of French government claims), then those of Honduras, (for about FF55 million of claims) and finally those of Egypt (with about FF500 million of claims). The objective of these transactions is to fund viable and productive local projects in sectors like tourism, infrastructure and industry, with either French, foreign or local private investors.

It is reported that some of this auctioning, and particularly that of Tanzanian debt, met with significantly less interest than expected. This is in contrast with the case of the UK, where previous sales of Tanzanian debt have been very successful. This

may partly be due to the fact there are closer historical ties between the UK and Tanzania, than with France. However, the way the operation was carried out, including elements such as the concern with end-use by the French authorities, seem also to have had an impact; perhaps even more important to explain the limited success of French sales of Tanzanian debt was the total annual limit which the Tanzanian Central Bank places on debt conversions, in the context of its' monetary programme.

In any case, the French Treasury is planning to offer claims in a less formal framework, thereby negotiating discrete sales on a case-by-case basis. It is too early to judge the success of this somewhat alternative method.

France has several other interesting initiatives in the field of debt conversion, but linked to debt for development and environment swaps. Thus, France supports financially debt conversions by NGOs, funding up to 70% of funding requirements for environment projects and 50% of other projects. The Ministry of Cooperation opened a FF20 million credit line to support such NGO sponsored projects. These seem to support purchases of commercial bank debt. Furthermore, France has reportedly participated in Poland's Ecofund by allocating the equivalent of 1% of all bilateral claims, that is FF250 million. Finally, the French government launched in October 1992, as part of its' Libreville Initiative, a Debt Conversion Fund for four middle-income, heavily indebted sub-Saharan countries. This involves about FF 4 billion of non-performing development credits; the aim is to encourage local projects in priority sectors, such as social development and environment.⁵

Amongst other creditor countries that are active sellers of bilateral debt paper are Spain and Sweden.

The Swedish ECA (EKN) position is interesting in that it is prepared to swap its' debt for equity in the developing country, which it is willing to hold itself. For example, it is reported⁶ to be looking at buying local property or export-oriented business under Cuba's debt conversion programme. The scheme would consist of investing the local currency proceeds of debt into sugar plant modernisation and arranging a supply contract to repay the original debt.

The Swedish EKN also signed the first deal under North Korea's debt conversion programme, participating in a joint venture investment with a Swedish company.

⁵ For a more detailed discussion of this initiative, see Owen Stanley Financial Services, op. cit.
⁶ 'Debt on the Nile' Risk, March 1993, London.

Both in the case of Cuba and North Korea, EKN is not limited to a 10% swap ceiling because the two countries are not ruled by Paris Club agreements.

It is interesting that a new department is being established within EKN to use debt for direct equity participation. As a result, Swedish EKN may become a leader in the direct use of debt for direct equity participation, as other creditor countries have carried out such operations, but on a more sporadic basis.⁷

In addition to the activities of European ECA's, it is important to stress that developing countries are stepping up sales of debt owed to them by other developing countries. Brazil, for example, held a series of auctions in February 1993. Though covered by a veil of secrecy, it is thought that the sales included paper of two African countries, amounting to between \$200 million and \$300 million of face value in each case. The scale of these operations is therefore very large. Brazil is also said to have sold Egyptian debt.

Elsewhere, East European countries (especially Poland and Hungary) have been occasional sellers of trade debt owed by developing countries.

Other countries like Holland do not have a full scale programme of sales of official bilateral debt, but have carried out successfully specific transactions, and have an active internal debate on critical issues such as pricing, round-tripping avoidance, etc., prior to possibly approving a general framework for such deals.

Holland was one of the pioneers for debt-for-development and nature swaps with commercial debt, in countries like Costa Rica. It has also participated in similar operations via UNICEF with projects for child welfare spending in countries like Jamaica.

The Dutch have also carried out interesting operations for example with the purchase of its' own official concessional debt, in exchange for social projects in Chile.⁸ The purchase of the debt was made by the Dutch Ministry of Cooperation, which bought debt from the Dutch Treasury. As the debt was being fully serviced at the time, there was a net foreign exchange savings for the Chilean Central Bank, used to fund social development projects. The operation was very cost effective, also for the Dutch authorities, and implied in this case a positive sum situation for all parties involved.

⁷ See P. Mistry and S. Griffith-Jones, *op. cit.*

⁸ The author was consultant for the Chilean government for this operation.

More generally, there is however some reluctance by the Dutch Ministry of Cooperation to use aid funds on an important scale to purchase debt from the Dutch Treasury, particularly in cases when the country is not servicing the debt (and there will therefore be no foreign exchange savings on this account) and/or the scale of debt reduction is not significant, and there is therefore no noticeable progress towards helping the debtor country return to normal relations with its' creditors.⁹

As regards sales of bilateral debt to foreign investors, etc., a clear cut decision to go ahead has not yet apparently been taken in Holland.

It can be concluded that there has been an important increase in the selling activity of ECAs in the 1992/1993 period. The number of selling ECA's has been increased, with the addition of important countries like the UK and France (with the former being particularly active). The scale of operations has correspondingly also increased, with some observers estimating that at least a total of \$1 billion of face value of bilateral debt has been sold.

The mechanisms used have varied, including auctions organized by the ECAs and direct sales, negotiated on a case-by-case basis. However, they have on the whole excluded using financial intermediaries explicitly on a major scale, even though banks have in some cases been major purchasers. Reportedly¹⁰ banks tend to purchase official bilateral debt, not with the aim to hold it, but to sell it on immediately, to specific clients.

Important innovations have also occurred in the last two years. In the debt for development field, the most important innovation is the Swiss one, which very successfully combined, for the poorest and most indebted countries, purchase of the 'tail-end' of bilateral debt from suppliers and banks with debt relief on the guaranteed portion of the bilateral debt. This was made possible by a special allocation from the Swiss Treasury, which did not come out of the existing aid programme.

Also, innovative is the increased activity in either the ECA or via another public institution (like the British Commonwealth Development Corporation) of swapping debt for equity in the developing country, which it will manage itself. Reportedly, Swedish EKN is planning to become very active in this sphere.

⁹ For a presentation of the Dutch Ministry of Cooperation's position, see K. van Kesteren, 'The Use of Aid Money for Debt Reduction, a view from Inside', Ministry of Foreign Affairs, mimeo, 1992, The Hague.

¹⁰ Interview material.

III CREATION OF A MARKET AND OVERCOMING THE IMPEDIMENTS TO SUCH CREATION

Section III focuses on five key issues which were specifically followed up with market operators: (i) the tradeability of ECA and other bilateral claims; (ii) market widening and deepening effects of bringing ECA paper onto LDC trading markets; (iii) the price effects of adding to the supply of debt paper in existant markets; and (iv) the prospect of a segmented market emerging for official paper and (v) novation as a key to improve official debt's tradeability. As pointed out in pursuing these issues, it emerged that there were other important concerns which needed to be taken into account, (vi) the need for better information on the economies and factors influencing the repayment capacity of post-restructured debt in the case of the SILICs and some SILMICs.

A THE TRADEABILITY OF OFFICIAL PAPER

LDC debt trading emerged in 1985 on a sporadic, incipient basis mainly in connection with debt-equity swap activities in Chile and Mexico. Such trades were driven by individual deals made by commercial banks willing to sell their claims at discounts to their corporate clients who wished to make direct foreign investments in debtor countries. They were also reportedly driven initially by swaps of debts between banks for tax purposes. A 'market' in LDC debt trading did not appear until around 1987, coming of age only after the first Brady deal was struck for Mexico in late 1989. Prior to that the market was generally recognised as being shallow and thin with individual transactions of a relatively small size causing unsettling movements in prices. This is no longer the case with the more regularly traded debt of the larger SIMICs i.e. Argentina, Brazil, Colombia, Mexico and Venezuela. For the debt of these countries, apart from price shocks caused by unforeseen political or economic developments, bid-offer prices remain stable within a narrow band for fairly large daily trading volumes. Unfortunately the market for other countries' debt remains highly imperfect and thin; especially so for the SILICs in whose case a single transaction of less than a \$1 million can cause a 30-50 per cent fluctuation in the quoted price!

The reason that debt trading took off with the onset of the Brady Initiative was that post-Brady par and discount bonds had standardized features which converted loans into 'securities' making them more amenable to trading of the type that typically occurs in bond markets. Moreover, with the kinds of credit enhancements which were provided to assure the seniority and servicing of the Brady bonds, repayment risk was reduced substantially. Consequently, the early returns realized

through capital gains by holders of Mexican Brady bonds, in an environment of rapidly falling US dollar interest rates, were sufficiently high to galvanise considerable interest in market-making on the part of institutional and high net worth individual portfolio investors who had hitherto not held or speculated in such securities. The LDC debt market was reported to have a volume of around \$500 billion in the last 12 months though, as noted earlier, trading was highly and increasingly concentrated on Brady bond issues (or their equivalents) in four or five countries.

Until 1991, most official creditors regarded the discounted sale of their claims as either impossible or undesirable. This was particularly true of the G-7 ECA creditors but less so of the ECAs of smaller, OECD countries particularly in cases where these ECA's, though government owned, were run on a quasi-commercial basis. Some of these had begun to explore possibilities for discounted sales and done a few deals even prior to conversion clauses being negotiated under PCRA's.¹¹ Until 1991, most official creditors (in particular ECAs) were, (for political reasons), unwilling to accept publicly that their claims were not worth their face values. Nor were they prepared to acknowledge that in most SILICs, their claims were unlikely to be recovered at all. Privately their views were, of course, more realistic. When they reluctantly undertook to consider sales for conversion purposes - i.e. in 1992 - they usually took the view that the LDC market price was not a reliable indicator and their claims needed to command a premium. Many ECAs have since become more pragmatic in their sales programmes for countries which have negotiated conversion clauses. Part of the reason is that, learning from experience, many of these ECAs are confronted with the not too distant prospect of likely total cancellation of outstanding bilateral debt stocks in some of the worst affected SILICs. In such a climate ECAs are beginning to realize that getting a few cents on the dollar for their claims now is a superior option to getting nothing later. The trend toward increasing debt sales by ECAs might therefore be expected to continue and perhaps even to accelerate. Even the most obdurate opponents of discounted sales of ECA claims are now beginning to rethink their ideologically founded opposition to such measures as other countries, such as France and the UK embark on structured, systematic sales programmes within the limits permitted by the conversion options which have so far been negotiated.

¹¹ See the UNCTAD Study on 'Conversion of Official Bilateral Debt' by Percy S Mistry and Stephany Griffith-Jones, *op. cit.*

Although ECA debt sales programmes are now becoming a reality,¹² there are a number of features and aspects of ECA claims which make them inherently less tradeable on debt markets. Debt sales by ECAs will therefore tend to remain confined to deal-by-deal transactions until ECAs begin to realize, as commercial banks did, that such a *modus operandi* is an inefficient and administrative expensive way of disposing of large amounts of claims. The main constraints to tradeability, in terms of the inherent features of ECA claims, are the following:

- *Diversity*: Official claims are extremely diverse in their features and contractual construction, much more so than syndicated commercial bank loans. These claims vary depending on the structure and purpose of the particular transaction which was originally financed, the laws of the particular ECA in question, the ownership of 'tail-claims', the governing laws of debtor countries, and a variety of other factors. By comparison with Brady bonds they are far less tradeable.
- *Currency of Denomination*: The LDC debt market is a dollar denominated market; so much so that a Brady bond denominated in DM will sell at a discount to a US dollar denominated bond with exactly the same features and risk characteristics. For ECA claims to be widely tradeable it would be very helpful if they were converted into dollar denominated securities.
- *Borrower Agreement*: For debts already rescheduled under PCRA's the consent of debtor governments would be required to effect sales of such claims by official creditors. In instances where such debt is unlikely to be repaid, the debtor has little incentive to agree to sale and conversion when that alternative might entail higher costs for the debtor.
- *Credit Enhancement*: One of the attractions of Brady bonds on debt markets is that they are invariably credit enhanced in securing within acceptable limits payments of both principal and interest. The obvious lack of similar features for official debt tends to make it less tradeable. However, if sufficient debt reduction has been granted, the risk of non-payment of the outstanding debt is low.
- *Claim Validity and Recourse*: As occurred in the case of Nigerian trade claims, many of which were supposedly backed by export credit guarantees, there has been widespread counterfeiting of claim documentation for a range of countries

¹² It is not unlikely that they will evolve and accelerate in much the same way as commercial debt sales programmes did between 1985-89.

(particularly in Africa). Consequently central banks simply refused to recognize such claims, in some instances barring legitimate claims from recognition as well. For paper to be tradeable there must be no question as to the validity of the underlying claim it represents. It must therefore be clearly recognized by the Central Bank or Government of the debtor country. Furthermore, ECA's may need to sell their claims initially on a 'with recourse' basis should the debtor government for whatever reason decide not to respect the rights of the new owners of the claims. At present no ECA is willing to contemplate discounted debt sales with recourse.

- *Transferability:* Traded claims need to be readily transferable with uncomplicated procedures for registration of new ownership. That is patently not the case with ECA or other types of official claims where the transfer of ownership and registration of the new owner as a valid claimant on future cash flow streams can be unduly complex. The issue of transferability is particularly important for buyers of LDC debt which want to hold the debt or trade it rather than convert it for end-use. The issuance techniques used must be those that suit best the needs of the market place. Here important lessons must be drawn from the Brady bonds, and their acceptance by markets.
- *Liquidity:* For debt claims to be marketable they must also be liquid. In other words the quality of the claim and the volumes traded would need to be such as to attract market-makers to quote a price and enable relatively swift encashment and transfer. Claims should lend themselves to custodial arrangements which enable intermediaries to liquefy them easily on behalf of principals. ECA and other types of official claims are, for a variety of reasons singularly illiquid. Enhancing liquidity involves a circularity with the other features discussed above i.e. to be liquid claims also need to be transferable, standardized, sufficiently credit enhanced to minimize repayment risk etc.
- *End-Use:* Under the terms of conversion option clauses in PCRA's negotiated under HT or ETT, creditors are supposed to convert debt either for equity or for 'good works' (nature, environmental purposes, or social purposes) i.e. local currency spending on children, health, education etc.). To the extent that official creditors wish to be directly involved in monitoring the end-use of the claims they have sold, they are likely to lessen the tradeability of official paper. Markets are uninterested in the motives of buyers and sellers. They are more concerned with the efficiency and price of transactions leaving it to price

signals to determine optimum resource allocation or otherwise letting buyers and sellers cope with their own motives and concerns about end-uses.¹³

For their paper to be made more tradeable, ECAs (and other official creditors) from the OECD countries in particular, would need to be willing, as commercial banks were, to act cooperatively in making their claims more uniform in nature and tradeable beyond the confines of their own clientele or their national boundaries. If ECGD claims could only be traded in the UK, Coface claims in France, Hermes claims in Germany and so on, there would be limited scope for creating a genuine open trading market in such paper. At present ECAs appear to be acting competitively rather than cooperatively in dealing with the disposal of their LDC debt. There is still considerable (and understandable) competition among ECAs in obtaining the best price for their paper through direct negotiations with their national clients. They have not yet begun actively working through intermediaries to reach a wider group of potential buyers across national boundaries, except in dealing with buyers in the debtor countries themselves, especially when they are not selling their foreign currency debt but their local currency claims. There is a reluctance on the part of ECAs to use intermediary banks or brokers. They argue that intermediation costs simply detract from the net returns which ECAs could capture directly. Until ECAs are willing to cooperate in creating a market with the help of established intermediaries the prospects for increasing the tradeability of their claims, by widening their access to a larger population of potential buyers, will remain somewhat limited.

The prospects of any sort of market emerging for official debt, (providing that is what official creditors work collectively towards), appear to be more feasible in the case of debtor countries like Nigeria and a few SILMICs (e.g. Cote d'Ivoire, Ecuador, Jamaica, Peru, and the Philippines). It is doubtful whether post-write-off residual outstanding stocks of debt in the poorer SILICs are likely to be such as to enable marketability of their paper on a medium or long-term basis. It is equally doubtful whether the economic circumstances of SILICs will be such as to be attractive to international portfolio investors as 'high risk-high return' paper in the same way

¹³ Interestingly, the UK's ECGD and France's Coface both launched discounted debt sales programmes in late 1992. The ECGD requires buyers of its paper to undertake to use that paper for purposes specified under the conversion clause in PCRA's. But it leaves it at that, relying on an 'honour system' for buyers of its claims to meet their obligations and assumes that debtor governments would do any necessary monitoring. ECGD does not direct follow-up. Coface on the other hand has introduced a complex follow-up to monitor end-use. In the first six months of their respective programmes, ECGD has sold £100 million equivalent of its claims on blocked local currency (or about 20% of the total eligible debt available for sale) in SILICs whereas COFACE has sold far less. If a lesson can be drawn from this sample of two ECAs, it is that there may be a trade-off between monitoring end use and scale of operations, which ECA's need to analyse carefully.

that Mexican debt was perceived by portfolio investors in 1989 and still is today. In those countries there appears to be little alternative but for official creditors to continue exercising their conversion options through directly negotiated sales although there remains considerable scope for them to use intermediaries (particularly specialized ones) to help them widen their market base. Another element which may enhance the market for SILIC's debt is to provide detailed information on them on a regular basis, via a mechanism easily available to traders and potential purchasers, such as via the Reuters' screen.

The tradeability of official claims on LDCs is characterised therefore by an obvious paradox. For those countries in which the existing trading market is relatively wide and deep, the entry of official paper could be accommodated and might even be welcomed by market operators on a controlled basis.¹⁴ But there is little interest on the part of ECAs in selling their claims on these countries at a discount. Debtor countries such as Mexico and Brazil¹⁵ have been anxious not to fall into arrears or default on their payments to official creditors in OECD countries. It has been far more important for them, as a policy objective, to maintain open export credit guarantee cover (especially for trade financing) with the developed world, than to achieve a discounted write-down of their official debts. Hence the official debt of these countries is being regularly serviced and gives no cause to ECAs to consider discounted sales. On the other hand, for most of the countries in which negotiated PCRAs now permit ECAs to sell and/or convert their claims, genuine trading markets with significant daily volumes do not yet exist. It is only in the middle-band of SILMICs identified above that there appear to be opportunities for official creditors to consider 'marketizing' their claims on a credible basis.

Another factor operating in LDC debt markets, which compounds the effects of that paradox, is the role of flight capital. Many market operators have expressed the view that the trading of debt of the larger SIMICs is driven, to a large extent, by owners of flight capital wishing to repatriate it on advantageous terms through debt purchase operations. Clearly, the role of flight capital in driving the debt market is acknowledged but insufficiently understood. Its importance, however, underscores

¹⁴ Some merchant banks have expressed interest in trading short-term strips of ECA paper in the heavily traded countries such as for example ECGD claims (principal and interest) falling due in the next 12 months. It is, however, relatively difficult for ECAs to strip these claims. Virtually no ECA undertakes the kinds of asset-liability management practices which make it amenable for them to raise front-end cash through one-year debt sales for liquidity or balance sheet management purposes. Nor do ECAs have any interest in selling their debt for those countries which are not in rescheduling status and which do not have a history of prolonged arrears.

¹⁵ Brazil has, however, recently been accumulating arrears on its debt service payments to official creditors despite rapid growth in its level of reserves. The reasons for its doing so, other than governmental drift, are not entirely clear.

the point that the tradeability of official paper is likely to be greater in those SILMICs which have resident owners of flight capital than those that do not. Nigeria is certainly such a case. But the recent amounts of ECA debt sold for countries such as Tanzania and Uganda suggest that flight capital owned by the trading community in these countries may be playing a role in official debt purchases in these economies as well.

B EFFECTS ON MARKET WIDENING AND DEEPENING

Preliminary investigations during the Phase-I study raised a question as to whether the entry of official paper into LDC debt trading markets would add such a large increment to the supply of tradeable paper that it would swamp existing and expected levels of demand. In Phase II, it emerged during discussions with market operators that opinions were divided as to the likely outcome. Most operators in the market felt that even in the more stable segment of the LDC debt market there was insufficient matching demand to justify the intrusion of official debt paper on the supply side at this time. These operators felt that the entry of official paper on to the markets would simply cause prices of LDC debt to plummet and disrupt the market's evolutionary pattern of growth. The exception for the future was felt to be the official debt of Russia which they believed might offer interesting trading opportunities at a suitable future point when that economy had bottomed out and begun to stabilize with market forces operating over wider spheres of economic activity.

Other market-makers felt the opposite. They believed that the entry of official paper into the LDC debt trading markets would, after a period of temporary instability, add width and depth to the market and cause new segments of demand to merge. Members of this second school of thought felt that market intermediaries would, under such conditions, strive harder to bring into the market-place potential (public and private) buyers of such papers with motives ranging from direct investment, to portfolio investment, to pure speculation as well as bring into the market (on a more regular basis), multilateral agencies and NGOs which had engaged tentatively and sporadically up to now in isolated, small debt purchases to 'stretch' their aid dollars in terms of local currency availabilities for socially oriented expenditures. This second school also believed that the emergence of official paper into the very low-quality end of the market - i.e. the poor SILICs - where there was relatively little commercial paper available for trading, could create more stable market conditions and more transparent debt purchasing opportunities for the narrow segment of potential buyers of such paper in these countries in the 1-25c price range.

With these two opposing schools of thought it is difficult to be definitive (in normative terms) about the impact on the LDC debt trading market of an influx of official paper; assuming of course that through novation and various forms of enhancement it could be converted into negotiable instruments which were acceptable to these markets. The only way in which the impact on the market can realistically be gauged is through controlled trial-and-error emissions on a relatively small scale of official paper (suitably converted) in an experiment involving an adventurous and forward-looking ECA, a cooperative debtor country and an innovative merchant bank as market-maker. Such experiments should be pursued in the small group of SILMICs identified above as joint ventures between ECAs and merchant banks with experience in LDC debt trading. The reason for advocating this approach is that it is consonant with the way in which the LDC debt market has developed through its nascent stages.

Much of the scepticism being voiced now about the marketization of official debt was voiced then, in surprisingly familiar terms, about the likelihood of a disastrous impact on commercial banks if a market was to emerge for the trading of discounted debt. In fact the impact has been the opposite of what the sceptics felt might happen. While it is true that the same impulses do not exist for ECAs to trade their paper as they did for banks (e.g. much of the early trading in LDC debt markets between 1985-88 was for portfolio switching purposes between banks, sometime linked to tax considerations, it is entirely likely that the emergence of a new source of supply, properly engineered, might well result in the emergence of hitherto unforeseen segments of demand or in changed buying and trading behaviour on the part of extant sources of demand. In any event such experiments, undertaken on a controlled, limited basis (not unusual in financial markets when new instruments or ideas are being floated) would cease automatically if the more sceptical viewpoints proved to be correct without any significant damage having been done. There is much to be said therefore in favour of a 'learning by doing approach'.

C PRICE EFFECTS ON LDC DEBT TRADING MARKETS

As observed earlier, many market operators felt that pricing in debt markets was still sufficiently fragile and volatile for any new source of supply to destabilize prices with disruptive market effects. Others have argued that the effect on prices would be a function more of how sensitively the entry of official paper on trading markets was handled in the case of a particular country rather than a matter of an increase in supply having a direct depressing effect on price. There is some

evidence to support the latter point of view. To begin with, a longitudinal study of LDC debt price behaviour in trading markets would reveal a high degree of volatility because of information and other imperfections which characterise these markets. But it would also show that prices in the markets have exhibited an extraordinary resilience in returning to stability around a trend line relatively quickly after the impact of a sudden shock. Where there have been structural trend changes in prices they have invariably reflected surprisingly accurate shifts in market perceptions about changing economic fundamentals in the country concerned which have a direct bearing on its short and medium term debt servicing capacity.

Indeed when there was a quantum leap in the supply of tradeable paper (i.e. in 1990-91 after Brady deals were concluded) the price of LDC debt stabilized and the average trend line of prices for most countries which had been Brady beneficiaries actually shifted upwards thereafter, partly because the debt reduction improved these countries' fundamentals, thus belying the simplistic notion that any increases in supply would automatically have a downward effect on price. Similarly, if the supply of suitably transformed official paper on debt markets were to emerge after sizeable official bilateral debt write-offs - and with sufficient enhancements/guarantees on the post-writeoff residual debt obligations so as to improve debt servicing performance on the part of a country - the price effect may well be opposite to that feared by market operators on the basis of simplistic supply-demand relationships which did not take these developments into account.

As with any new bond issue, the timing of the issue and underlying governing conditions which are influencing market sentiment are critical factors in determining price movements. There is no reason why the entry of official debt paper onto LDC debt trading markets, properly engineered, should not be subject to the same laws of the market place. It is becoming increasingly apparent that price movements in the heavily traded segment of the LDC debt market are now more influenced by relative movements between exchange rates, interest rates, inflation rates and expectations of economic performance in the major debtor countries relative to changes in similar parameters affecting the equivalent dollar instrument benchmark in a similar risk category. Price movements are less and less influenced in this market segment by demand for conversions into equity or other purposes. Fewer debt trading transactions are now conversion-connected in the Mexican debt market for example. That is clearly not likely to be the case for the pricing of the obligations of other debtor countries, particularly the poorer SILMICs and SILICs where concerns on the part of portfolio investors about obtaining relatively higher

interest yields are overwhelmed by the potential risk of capital loss. In such countries demand is still likely to be conversion-driven with end-users rather than traders or investors driving the market in these instances.

In considering the impact of official debt sales on the discounted price of a particular country's debt, the actual experience of the UK ECGD which has recently sold a relatively large amount of Tanzanian debt (i.e. it sold its 'rights' to the local currency deposit on the Paris Club claim and not the claim itself) is quite instructive. Its internal analysis of a series of such sales showed that about 50 per cent of the transactions were done at around the prevailing market price, about 25 per cent were done at a higher price and the remaining 25 per cent were done at a lower price. For a thin, closed circuit market like Tanzania it might be expected that if, (as frequently alleged by many market operators), there is insufficient demand for LDC debt paper generally and for SILIC debt paper in particular, the price of Tanzanian debt might have fallen sharply downwards as a result of these sizeable sales. The fact that the price fall that did occur was limited suggests that 'the market' even for a SILIC like Tanzania may be more robust and resilient than most traders are willing to believe (for a more detailed discussion see Section IV below).

D MARKET SEGMENTATION FOR THE TRADING OF OFFICIAL DEBT

The question had also arisen in earlier investigations as to whether official ECA claims, more openly traded and sold in LDC debt markets rather than being privately placed, would see a separate segment of the market emerge, in much the same way as there are separate market segments in the trading of sovereign and corporate bond issues. A separate market segment for trading official claims would permit official debt to be traded with different risk/repayment features and characteristics to commercial debt and Brady bonds and would permit different pricing practices. Most market operators felt that, given the nature of the LDC debt market as it was developing, it might be counterproductive to see a separate segment being created for trading official debt. But they acknowledged that if the process of transformation of such debt into tradeable instruments resulted in acceptable instruments emerging, even if they were ones which had different features from Brady bonds (e.g. if ECA debt were converted into serial central bank or treasury promissory notes of short or medium duration), a separate segment might emerge without disruptive effects by itself. In that event the overall effect on the LDC debt trading market might be positive in allowing for arbitrage and derivative opportunities to be developed across a wider range of tradeable

instruments, across a wider spectrum of maturity and risk, and across a wider range of countries. The key factor, however, would be to ensure that repayment risk on residual debt being traded (after write-offs) was maintained within acceptable bounds to the market. That would again probably require some form of credit enhancement being provided for the first few emissions of official paper onto the market until sufficient confidence emerged in a given country's debt servicing record and capacity to make such enhancements unnecessary.

E NOVATION AS THE KEY TO THE TRADEABILITY OF OFFICIAL DEBT

It is evident from the discussions that were held that the key to making official claims more saleable on LDC markets lay in their novation and transformation which would require some elements of collateralization, defeasance and possibly interest payment guarantees for residual official debt after major write-offs and restructuring. The question then arises as to whether such novation is feasible, desirable and cost-effective - from the viewpoint of both debtor and creditor - to consider. In the case of poor SILICs which firmly believe that after the next few rounds of reschedulings virtually all of their official debt will be written off, it would clearly be unwise for their authorities to incur the additional costs involved in meeting the local or foreign currency obligations which would arise on transformed and traded debt. In the case of official creditors who see the same prospect emerging, the line of thinking should logically be exactly the opposite. They should be exerting every sinew to develop opportunities for increased tradeability and LDC debt market expansion so as to unload as much of their exposure in these countries, as soon as possible before it is declared worthless.

Reality of course will as always lie somewhere in between. Very few SILICs are likely to enjoy 100 per cent write-offs of official bilateral debt in the foreseeable future. At best most will see write-offs in the range of 65-75 per cent within the next 2-3 years if political auguries are exceptionally propitious. In the case of the SILMICs identified above and Nigeria, the best they can hope for are write-offs in the range of 50 per cent, similar to the Poland and Egypt arrangement, though for some even this is unlikely. The major question-mark concerns the treatment of official claims on Russia when the dust finally settles and clears the haze on the recently confused assessments of what the economic prospects of that country are going to be in the medium-term. Under the most realistic scenarios therefore the amount of post-written down and restructured bilateral debt remaining will still be quite significant. ECAs and other official creditors could, of course, decide at that

point that full debt servicing will be maintained on residual obligations on the agreed new schedules. This assumption would simply reinforce the costly posture (to both themselves and their debtors) that they have maintained throughout the debt crisis. On the other hand, if they had learnt anything from the crisis, they could begin to behave more as the banks have done and unload all or part of their residual risks for cash up-front in properly functioning debt markets. In the latter event, action would still be required to transform the quality and nature of outstanding residual official claims into instruments that were more 'market-friendly' and 'end-user friendly'.

The best moment for official creditors to negotiate such changes with the debtor community would be at the time of any major restructuring and write-off. Indeed valuable opportunities have already been missed by ECAs and other official creditors too wrapped up in playing the Paris Club game by its somewhat counter-productive rules. In the Egypt and Poland cases, official creditors missed an excellent opportunity to transform their residual claims into more standardized, negotiable instruments. They have repeated that error with the several PCRA's reached under ETT as well. These missed opportunities are likely to prove expensive as events unfold. It is therefore time, before the next major breakthrough is politically agreed to on bilateral debt, that ECAs and official creditors take sound advice from merchant bankers and LDC debt market-makers on how their claims might be transformed, standardized and enhanced to permit them a much greater degree of flexibility than ECAs have enjoyed hitherto in taking advantage of options and courses of action which they have till now eschewed for all the wrong reasons. Serious consideration should also be given to the view, now supported by some ECA's, that the 10 per cent limit on debt conversions is too restrictive.

From the viewpoint of debtors as well, some serious rethinking is required on their part in agreeing to make official claims more manageable and tradeable. The emergence of more stable markets for their residual debt obligations could be helpful in several ways. They could help them to develop and monitor more structured programmes of deep-discount buybacks and conversion without experiencing the kinds of problems they have encountered so far. They could also use debt markets to advance their programmes for public asset sales and privatization in a more rational and productive manner.¹⁶ Most importantly, such markets could gradually help to restore a degree of access to private market funding

¹⁶ See the UNCTAD Study on 'Conversion of Official Bilateral Debt' by Percy S Mistry and Stephany Griffith-Jones, *op. cit.* for a detailed discussion of how official debt sales and conversion programmes can be linked synergistically with privatization programmes through the creation of mezzanine privatization funds which use both converted debt and new money.

on an enhanced, and eventually a voluntary, basis once the market becomes familiar with trading that country's paper. In the cases of Chile, Mexico and Venezuela the evidence is clear that LDC debt market trading and price behaviour exhibited on that market (which in turn reflected repayment and economic performance) was instrument in helping restore voluntary access for these countries much earlier than anyone had earlier envisaged could happen.

F THE NEED FOR IMPROVED MARKET INFORMATION

As mentioned above, among the several useful issues which emerged from discussions with market-makers and traders in LDC debt markets was the need for accurate, timely and regular information on economic and financial developments in economies whose debt was being traded. Information available on Reuters screens used by debt traders on economic and financial developments in countries such as Argentina, Brazil, Chile, Mexico, Venezuela had improved substantially. It was beginning to approach the quality and frequency of economic data and leading indicators published by OECD countries. Information on other debtor countries was much poorer, and on many SILICs hopelessly outdated, disabling traders and researchers from making any useful day-to-day judgements on factors likely to influence repayment capacity. Some traders felt that a screen-based economic monitoring and information service, geared to use by the international financial community, which provided regular information on all debtor economies, and on all debt deals being done in these debtor countries, needed to be developed by a competent international agency in concert with a reputable wire service. The importance to LDC debt trading markets of regular and timely information on all factors (concerning both debtors and creditors) which affected the quality and price of the instruments being traded was a feature generally ignored by most commentators on the LDC debt problem. It needs to be factored into future thinking about 'marketizing' debts which are not already being traded.

G CONCLUSIONS ON CREATION OF MARKET AND OVERCOMING IMPEDIMENTS

The outcome of meetings with market-makers in LDC debt could perhaps be summarized in the following adumbrated conclusions:

- At present virtually no ECA claims or other forms of official debt are being traded on LDC debt markets. Following the launching of the Phase 1 UNCTAD Project several ECAs (including those from G-7 countries) have begun active debt sales programmes. Though no causal link should be drawn

between these two events, the coincidence shows the study was very well timed. In most cases ECA debts are being sold directly to interested parties on a 'private placement' type basis, or via auctions. Some of the smaller ECAs in Europe are using market intermediaries to arrange debt sales for conversion.

- There is considerable scepticism about the prospects for trading ECA claims in the same way that commercial debt, and especially Brady bonds, are now being traded in LDC debt markets in which trading volumes - for a few select large SIMICs - have been increasing in geometric progression. To the extent that market-makers perceive any possibilities for trading ECA debt these appear to be confined to a few select SILICs and SILMICs in which there is discernible conversion interest on the part of foreign investors as well as holders of flight capital. An inclusive list of such countries would include the following: Bolivia, Cameroon, Congo, Cote d'Ivoire, Ecuador, Jamaica, Jordan, Morocco, Nicaragua, Nigeria, Peru, the Philippines, Poland, Russia, Tanzania and Zambia. For the other SILMICs and SILICs which have negotiated conversion clauses, ECAs are likely to be confined to the private placement approach for programmed debt disposals.
- Large scale trading of ECA and official claims is unlikely to occur without:
 - (i) substantial initial **official debt reduction** of a magnitude sufficient to align residual outstanding obligations with the market's perception of the capacity of debtor countries to repay the restructured stock of debt¹⁷;
 - (ii) **novation and transformation** of existing ECA debt contracts into quasi-securitized claims with credit enhanced features (for both principal and interest payments) to bring the repayment risk within a range of probabilities acceptable to trading markets;
 - (iii) greater reliance on **market intermediaries** by ECAs;
 - (iv) a willingness on the part of the ECAs of all OECD countries to cooperate actively in seeing a market develop for official bilateral claims; and

¹⁷ Though opinions are again divided on the issue, (largely because market players remain concerned that excessively generous official debt reduction deals such as those for Poland and Egypt would compromise the position of many commercial creditors who have not resolved their problems with these countries) general market sentiment supports the view that the official debt reduction measures taken so far have been too little and too late to make a meaningful difference. The market is inclined to believe that ETT will need to be extended to Trinidad Terms and beyond for the SILIC group and from HT to ETT type terms for the SILMIC group.

- (v) a willingness on the part of debtor governments to encourage and agree to novations and to actively encourage the trading of their own debt in established markets.
- With opinions being sharply divided on the impact of ECA debt being traded on LDC debt markets the only feasible approach to testing the waters is through controlled experiments in which enlightened ECAs, merchant banks and debtor governments cooperate. Such experiments might, to begin with, be undertaken for establishing trading markets in the debt of countries such as Ecuador, Jamaica, Nigeria and Zambia. These experiments could involve one or two ECAs which have launched proactive debt sales programmes (such as ECGD and the Belgian, Dutch, Swedish and Swiss ECAs) and merchant banks (or their equivalents in commercial banks) which have an established reputation for innovation in these markets (such as J.P. Morgan, ING Bank, Citicorp or Salomon's).
- International agencies (such as UNCTAD, IBRD or the IMF) need to work with screen-based wire services such as Reuters to develop an on-line, real-time economic information monitoring service to provide essential economic and financial data to the LDC debt trading community in a format it can absorb for daily decision-making purposes.
- ECAs need to use market intermediaries much more widely than they presently seem willing to for both: (a) widening their market access to potential buyers of their claims but within and outside their national boundaries; and (b) advice on novation with the possibility of claims marketization in mind whenever major breakthroughs are due to occur in PC practices and terms.
- The 10 per cent limit on conversions of non-concessional debt should be eliminated under Paris Club rules with the conversion clause permitting as much conversion as a particular ECA or official creditor is inclined to undertake within their own scheme of preferences. Such a limit has no useful purpose and will inhibit both: (a) the process of debt and debt service reduction through conversions; and (b) the eventual development of markets for trading such claims.
- In the view of ECAs now actively undertaking debt sales programmes, debtor governments seem peculiarly uninterested and inactive in retiring debt through sales and conversions. They have been slow to put in place well-structured programmes supported by the necessary changes in legislation and

administrative directives. Part of the reason lies in a lack of competence on the part of the authorities to deal with the legal and financial issues involved. Another part may be explained by their lack of motivation to act before seeing what the next 'breakthrough' in PC terms will bring by way of further write-offs.

- Debtor governments need to be more affirmative in acting in their own interests to reduce their debt stocks. They appear to need further technical assistance and advice on how to boost and expedite debt sales and debt conversion programmes (within permissible monetary ceiling which ought to exempt conversions used for privatizations) from various sources including those in which they have built up some faith in this particular area of assistance i.e. the World Bank, UNCTAD and the Commonwealth Secretariat.

IV ADDITIONAL IMPORTANT TECHNICAL FACTORS

Amongst the factors to be discussed here are how prices are currently determined for official debt conversions in specific creditor countries and the range of ways for which traded bilateral debt will be used.

As regards the first point, it is hard to have detailed information on prices at which official bilateral debt is traded, as very often such information is confidential. However, there is quite detailed information about the criteria with which some ECAs determine the price at which they offer debt for sale.

Perhaps the most elaborate criteria are those the UK ECGD. The pre-condition for the ECGD to sell its debt is that the price it will receive will imply a higher level of income than the net present value of the expected recovery of the debt, given existing agreements in the Paris Club and projections of the Country Studies departments of the ECGD. This provides a floor under which the ECGD will not be willing to sell.

More generally, the valuation that ECGD makes of the debt for its sale, is based on the following five factors:

1. Estimates based on the Bank of England provisioning matrix
2. The secondary market price
3. The level of provisions that ECGD has
4. Estimates of potential loss

5. Previous payment record of that country

As we can see, in the UK case the secondary market price is only one (of five) factors in determining the price of official debt sold. Weights are given to the five factors listed above, allowing the ECGD to set a reserve price when it invites bidders to make offers on the debt. The ECGD reports that in some cases bidders are prepared to pay over the market price, for example if they can get debt in quantities that they cannot obtain in the illiquid secondary market. Though the ECGD sales are on the whole deemed to have been very successful, they do provide some evidence that large sales by ECAs do have an effect on depressing prices. Indeed, reportedly the price of Tanzanian debt dropped from 35% to 30% of face value, as a result of high-profile sales by the ECGD and the French Treasury. Indeed, particularly the French Treasury's auction of Tanzanian debt had limited success, as the bids obtained implied too low a price. According to some market observers, this was partly because the ECGD and French Treasury sales of Tanzanian debt came so closely together; this is reported to have been particularly problematic because the Tanzanian Central Bank will only provide up to \$40 million a year of local currency for debt conversions because of inflationary risks.

This seems to raise the issue of the possible need for some creditor government coordination on the time and scale of their official debt sales, for particular debtor countries. Though ECAs see themselves partly as competitors, there may be positive sum elements in such coordination, even though it is limited. This may be particularly important to avoid the price of debt falling to levels that are so low, that they become unacceptable to the relevant ECA, and there is therefore no transaction.

As regards other ECAs, several of them apply similar, though somewhat less elaborate criteria to those of the UK. ECGD. Thus, for example the Spanish and Belgian ECAs apply basically commercial criteria for determining the price of their debt.

Spain's Ministry of Finance has adopted the position that a discounted sale of official debt is to be approved, provided the cash revenue proceeds are higher than the projected debt service minus the administrative cost of managing the unpaid or partly paid debt.

The calculation of cost/benefit is geared to each type of debt, particularly distinguishing between guaranteed debt and official bilateral development loans. Besides purely commercial calculations, which are dominant even for guaranteed credit, some weight is given to the growth generating character of the specific debt -

equity swaps. The growth and development impact is given even more weight in determining the price of sales of official bilateral loans.

As regards Belgium, the motivation of the Ducroire is very commercial, driven by the fact that it is a rather autonomous agency, run on a commercial basis and unable to rely on budgetary contribution. The minimum price at which the Belgium ECA will sell is determined by several criteria, including the price on the secondary market and the level of provisions which it has for those loans. For most countries, the price is somewhat higher than that on the secondary market, though for one or two countries, (for example, those whose debt servicing record on official bilateral debt is somewhat worse than that on commercial debt) the price at which the Belgian official debt is sold is quite significantly lower than on the secondary market¹⁸

Finally, an interesting case of price determination was that related to the purchase of the 'tail end' of credits by the Swiss Debt Reduction Facility (described above). As can be seen in Table 1, in the Appendix, the price at which the DRF offered to buy was either equal or higher than that of the secondary market price. It is interesting that for those countries where the secondary market price was very low (below 10% of face value), the price offered by the DRF was almost double that of the secondary market. In cases where secondary market price was at an intermediate or fairly high level, the price offered was either the same as that on the secondary market or 3 or 4 points above it.

A final technical point relates to the issue whether the debt should be freely traded and held also for speculative purposes (contributing to a deepening of the market) or if it will operate for specific operations in debtor countries. On balance, it would seem that most actors involved in trading bilateral official debt (and particularly most ECAs) are inclined to prefer that such trading is restricted to sales for end-use in debtor countries. Indeed, even several traders in LDC debt recognized that most creditor governments would not wish their paper to be held up by private investors for speculative purposes, and that the reasons for this were understandable. As discussed above, most creditor governments (and especially those in Continental Europe) are concerned with end-use, whether for 'good works' or for equity; even those, like the UK one not so concerned directly with end-use, still require the debtor government to guarantee a specific end-use.

¹⁸ The author was given this information when she visited the Belgian Ducroire on behalf of UNICEF.

Given this understandable attitude and the particular nature of public obligations, it seems realistic to assume that, at least in the initial phase, trading will be restricted to selling debt either directly to the agent that will convert it, or to a financial intermediary, who will then transfer it to the end-user in a short period.

This may limit somewhat the 'depth' of the market, as it will exclude those who wish to hold the debt for speculative purposes. On the other hand, it will imply that the requisites of very easy transferability, though still very important, will be less crucial than if the bilateral debt was going to be traded many times and/or held for long periods. If and when the market in bilateral debt develops, emphasis on the distinction between purchases for "end use" and for "speculation".

V BRIEF CONCLUSIONS AND SUGGESTIONS

Fairly important progress has been made in the last two years in selling official bilateral debt. This seems largely due to the initiative of several European (and Latin America) creditor governments.

The scale of activity, though well below the potential, is fairly important.

The potential for rapidly expanding trading volumes (via trading on LDC markets) seems at present on the whole limited to some select SILICs and SILMICs where there is clear interest by foreign investors and holders of capital flight. However, the list could expand if the schemes are successful and if economic conditions improve in other debtor countries.

ECA's are on the whole somewhat reluctant to involve financial intermediaries in helping create a market for official bilateral debt, feeling that they can achieve a similar task, at a somewhat lower cost.

Though there is validity in this position, financial intermediaries can play a positive role in:

- a. helping widen access to potential buyers of ECA debt, nationally but also particularly internationally.
- b. advice on novation of ECA contracts, particularly to standardize (e.g. into a promissory note format) and to clarify the documentation
- c. possibly assist debtor governments in encouraging trading of their debt, and putting into place, as well as implementing, well structural and well functioning debt conversion programmes. Naturally such assistance will be complementary

to that provided by international organizations, such as UNCTAD and the World Bank.

Two comments seem important in this context. Firstly, the significance of the role of financial intermediaries would not be purely, or perhaps even mainly, 'technical'; it would in large part be to act as a catalysing agent to ensure that deals happen and do so on a significant scale. This is particularly valuable in this context as (with a few notable exceptions of some ECA's) there are no actors consistently pushing for the creation and expansion of the market for official bilateral debt. Therefore, the catalysing function that financial intermediaries could play would be potentially very valuable.

Secondly, it needs to be emphasized that debtor governments are on the whole surprisingly uninterested and even reluctant in practice in reducing official debt via conversions. This may be partly rational, as it is linked to a belief that there will be further official debt forgiveness. However, even this argument is weakened by the slowness of progress in increased Paris Club debt forgiveness, and by the positive sum elements (e.g. helping eventually catalyse new foreign direct investment flows) that such operations can imply.

In this respect, activities such as UNCTAD has already organized (e.g. international seminars with debtors and creditors) need to be continued and expanded; furthermore, they need to be complemented - where necessary - by technical assistance by organization like UNCTAD and the World Bank to help establish or improve debtor conversion programmes for this purpose, and assist in negotiations with ECA's, foreign investors and other international actors involved.

Such technical assistance should include monitoring macro-economic constraints on such programmes, their link with the price of debt, etc. It is important to stress in this context that otherwise very successful sales of one debtor country's official debt were somewhat constrained (and the price of the debt declined) by the limit set on its' total conversion programme, determined by its' monetary programme. This is a particularly important constraint in the context of poor countries, which tend to have underdeveloped domestic financial markets. As discussed in Stage I of this project, the monetary impact of debt conversions can be significantly reduced if there are geared to privatization.

It would also be useful to organize a meeting with financial intermediaries and some ECAs to discuss mechanisms for improving official debt sales. J.P. Morgan, in London, has offered to host such a seminar.

Finally, it should be stressed that the recent experience of mainly middle-income countries in Latin America, with a massive return of private flows so soon after a major debt crisis, seems to show a path from debt strangulation to creditworthiness recovery, which hopefully at some SILICs and SILMICs could - even if partially - emulate.

APPENDIX 1



Bundesamt für Aussenwirtschaft
Office fédéral des affaires économiques extérieures
Ufficio federale dell'economia esterna
Uffizi federal da l'economia esteriura

3003 Bern 24 mars 1992
Bundeshaus Ost

Ø 031 / 61 2257
Fax 031 / 61 2330

Ihr Zeichen
Votre signe
Vostra sigla
Voss segn

Unser Zeichen 220.1 - red/dee/rue
Notre signe
Nostra sigla
Noss segn

Aux créanciers de franchises détenues
dans le cadre de créances garanties par
la GRE (exportateurs et banques)

Mesures de désendettement de la Confédération en faveur des pays en
développement démunis et les plus endettés: Offre de rachat des franchises
détenues dans le cadre des créances garanties par la GRE

Mesdames et Messieurs,

Par notre circulaire du 26 février 1992, et lors d'une séance d'information qui s'est tenue le 12 mars 1992 ici à Berne, nous avons eu l'occasion de vous tenir informé des mesures de désendettement prévues par la Confédération dans le cadre des créances garanties par la GRE vis-à-vis des pays en développement démunis et très endettés.

L'office fédéral des affaires économiques extérieures (OFAEE) vous soumet l'offre annexée ci-après: elle concerne le rachat des franchises dans le cadre d'affaires commerciales garanties par la GRE qui ont été contractées avant la "cut off date" spécifiée pour chacun des pays en développement concernés (voir annexe 1 de l'offre). L'objectif de cette action est de contribuer à l'allègement des charges financières et administratives liées à l'endettement de toute une série de pays en développement. Les pays potentiellement bénéficiaires de cette opération se trouvent dans une situation extrêmement précaire. Dans le futur, la plupart de ces pays devraient à nouveau faire l'objet de pénibles accords de rééchelonnement.

Cette offre dont la contreprestation équivaudra à un paiement en espèces permettra à tous les créanciers une élimination comptable de ces créances. Les prix offerts ont été déterminés sur la base des prix de marché secondaire des créances commerciales de tels débiteurs, on a aussi tenu compte de la qualité spécifique de ces créances, en particulier du fait qu'elles ont été garanties par la GRE et aussi des conditions qui ont prévalu lors de rééchelonnement de telles créances dans le cadre du Club de Paris (cf tableau annexé).

Dans ce cadre et s'agissant des créances contenues dans cette offre, de fait celle-ci restera unique. Les franchises ainsi que les parts détenues par la GRE sont indissociables. Dans le cadre des mesures prévues par la Confédération, chaque fois qu'un créancier détenteur d'une franchise cède sa part, celle de la GRE est automatiquement transférée dans la masse à de désendettement ainsi obtenue; l'action permet une réduction d'anciennes obligations de la GRE. S'agissant des créances concernées par cette offre, la GRE nous a confirmé qu'au cours des 5 prochaines années au moins, elle ne sera pas disposée à céder

à un prix inférieur au pair, sa part à des créances encore détenues par des créanciers privés.

Les créances annoncées au rachat par les exportateurs et les banques devront atteindre un quota minimal tant par pays qu'au niveau global des pays concernés, dans le cas contraire, la Confédération fera usage de la possibilité de retirer son offre soit pour un pays particulier, soit pour l'offre dans sa globalité et de soutenir d'autres types d'aides avec les ressources ainsi dégagées.

Durant la période de validité de l'offre, soit jusqu'au vendredi 10 avril 1992, il est prévu que les créanciers intéressés annoncent formellement, quels sont les pays pour lesquels ils sont disposés à céder leur créances (cf formulaire annexé); si des différences devaient apparaître entre la comptabilité d'un créancier particulier et celle tenue par la GRE, la réconciliation pourra se faire après la clôture du délai d'offre. Lorsque il s'agit d'un prêt syndiqué ou d'une créance de type consortiale, il suffit qu'un seul créancier - en cas de cession la banque, sinon l'exportateur qui agit en tant que chef de file - annonce l'ensemble de la créance concernée. Compte tenu du fait que l'examen de la documentation liée à ces créances nécessitera un certain temps - 120 exportateurs qui détiennent souvent plusieurs créances sont en effet concernés - il est prévu que le paiement effectif du prix aura lieu vers la fin août.

L'allègement consécutif de l'endettement à consentir vis-à-vis des pays en développement bénéficiaires de cette opération s'opérera au travers d'un accord bilatéral. Au cas où les moyens budgétaires le permettraient encore, ces mesures de désendettement pourraient être élargies plus tard au profit d'autres pays en développement parmi les plus démunis.

Pour toutes questions supplémentaires liées à cette offre, veuillez vous adresser à mes collaborateurs, soit à Monsieur Jörg Al. Reding, Chef de section, ou à Monsieur Roger Denzer, dont les numéros téléphoniques respectifs sont les suivants: 031 - 61 22 69 et 61 26 39.

Avec nos salutations les meilleures



Nicolas Imboden
Ambassadeur

Annexes: mentionnées

TABLE 1

Annexe

Pays en développement	Prix du marché secondaire * créances commerciales	Prix offerts pour la franchise des exportateurs
1 Bolivie	14	18
2 Equateur	23	27
3 Côte d'Ivoire	8	15
4 Guinée	20	23
5 Guinée-Bissau	18	20
6 Honduras	26	28
7 Jordanie	34	39
8 Cameroun	23	25
9 Congo	7	12
10 Madagascar	48	48
11 Mali	7	14
12 Nicaragua	7	13
13 Pérou	14	19
14 Philippines	52	54
15 Zambie	13	17
16 Sénégal	41	41
17 Sierra Leone	7	11
18 Soudan	2	7
19 Tanzanie	22	25
20 Togo	23	25
21 Zaïre	15	17
22 Rép. Centrafricaine	10	14

* Moyenne des prix demandés et offerts, établie de décembre 1991 jusqu'à mi-mars 1992 (moyenne, arrondie), si existante.

Offre de rachat des franchises détenues dans le cadre des créances garanties par la GRE

Conditions

Introduction

L'Office fédéral des affaires économiques extérieures (OFAEE) invite les créanciers détenteurs des créances mentionnées ci-après (cf point 1) de faire usage de la possibilité qui leur est offerte de les céder contre un paiement en espèces. L'OFAEE est disposé à racheter les créances concernées aux prix spécifiés pour chacun des pays mentionnés dans l'annexe 1 ci-après et aux conditions fixées ci-dessous.

Les fondements de cette offre sont contenus dans le Message du Conseil fédéral du 30 janvier 1991 (Message publié à l'occasion du 700e anniversaire de la Confédération concernant un nouveau crédit-cadre pour le financement de mesures de désendettement en faveur de pays en développement démunis).

1. Définition de l'ensemble des créances concernées

L'offre est limitée au rachat des franchises détenues dans le cadre d'affaires commerciales garanties par la GRE qui ont été contractées avant la "cut off date" spécifiée dans la liste annexée (cf annexe 1):

- (aa) s'il s'agit de créances non encore rééchelonnées¹, résultant d'affaires réalisées au comptant ou financées par un crédit commercial qui sont totalement dûs et pour lesquelles la GRE a déjà dû assumer ou assumera² la totalité de la prestation garantie: sont susceptibles d'être rachetés, le principal et les intérêts dûs qui n'ont pas été payés.
- (ab) s'il s'agit de créances rééchelonnées³: sont susceptibles de rachat, le principal non encore dû ou les échéances dont le principal et les intérêts de consolidation sont dûs mais n'ont pas encore été payés.

-
1. "Créances non rééchelonnées / créances rééchelonnées": le critère de référence retenu pour définir "une créance rééchelonnée ou non rééchelonnée" est la date du "Procès Verbal Agréé / Agreed Minute" des rééchelonnements réalisés dans le cadre du Club de Paris.
 2. Toute autre prétention à un dédommagement résultant de la garantie accordée par la GRE n'est pas concernée par cette offre.
 3. Cf Note No 1 ci-dessus.

- (b) sont considérés comme faisant partie intégrante de cette offre tous les droits accessoires (définis en tant qu'obligations financières et non financières du débiteur ou d'un tiers vis-à-vis du créancier et qui se rapportent aux créances définies sous les lettres aa et ab ci-dessus, par exemple tous les intérêts moratoires, intérêts courus ou autres, de même que toute autre prétention liée à un dédommagement, à des dépenses, des charges, des commissions, etc).

La date de référence faisant foi pour les créances définies sous chiffre 1, est la date à laquelle la notification de l'offre pourra être faite conformément aux conditions de validité énoncées ci-dessous (cf chiffre 5 ci-après).

2. Base d'indemnisation

- L'offre porte exclusivement sur une indemnisation financière des créances mentionnées sous lettres aa et ab du chiffre 1 ci-dessus. Les droits mentionnés sous lettre b du chiffre 1 ci-dessus, ne peuvent donc pas faire l'objet d'une indemnité de la part de l'OFAEE.
- Les créances principales (cf Ch. 1 lit. aa et ab) de même que les droits accessoires (cf Ch. 1 lit. b) qui y sont rattachés ne peuvent être cédés que conjointement. Ceci vaut aussi dans le cas d'une cession tant pour les parts du cédant que celles du cessionnaire. En cas de prêt syndiqué ou de créances de type consortiales, seul l'entier du prêt ou de la créance pourra faire l'objet d'un rachat.
- Lorsqu'une garantie de la GRE est accordée à un créancier pour plusieurs créances détenues vis-à-vis d'un seul et même pays et que les conditions citées sous le chiffre 1 sont remplies, alors le preneur de la garantie se doit céder toutes ses créances qui y ont été garanties.
- Le prix offert pour le rachat desdites créances sera payé en francs suisses. Sur demande du créancier, la contrevaletur de ce prix peut aussi être libérée dans la devise dans laquelle celles-ci étaient exprimées à la date de l'offre (le cours de change déterminant sera celui qui prévaudra à la date du paiement). Le montant à prendre en considération sera arrondi à l'unité monétaire la plus proche.

3. Délai de validité

Cette offre est valable jusqu'au vendredi 10 avril 1992 à 15 heures.

4. Modalités

Chaque créancier peut, durant la durée de cette offre, irrévocablement faire valoir sa créance auprès de l'OFAEE, soit par Fax⁴ (031 / 21 53 72) soit par lettre (OFAEE, Service du Développement, Mesures de désendettement, Palais fédéral Est, 3003 Berne, Suisse). Lorsqu'il s'agit d'un crédit unique, syndiqué ou de type consortial et qu'un ou plusieurs cessionnaires et cédants sont concernés, il suffit qu'un seul créancier cessionnaire, - soit qu'une banque cessionnaire, soit qu'un exportateur agisse en tant que chef de file. Dans tous les cas un accord écrit qui lui donne les pleins pouvoirs est nécessaire. Le formulaire standard (cf annexe 2 ci-après) contiendra les informations spécifiques exigées.

A leur réception, les documents fournis par les créanciers ayant répondu à l'offre, seront examinés par la GRE à la lumière des conditions de validité exposées ci-dessous. A cet effet, tous les créanciers doivent tenir toute la documentation nécessaire à disposition. A l'échéance de la période de validité de l'offre, la GRE, ou un agent/une fiduciaire mandaté par elle, prendra en contact avec les créanciers concernés.

5. Conditions de validité

Cette offre sera considérée comme valable, dès lors que la somme des créances présentées au rachat atteindra un montant considéré comme substantiel (somme globale et par pays).

Au plus tard cinq jours après l'échéance de l'offre, les créanciers ayant répondu positivement à celle-ci, recevront la notification de sa validité ou de sa non validité. Si l'offre est valable, les créances principales et les droits accessoires (qui remplissent les conditions énoncées au chiffre 1) sont cédées à l'OFAEE à la date de validation retenue par l'office.

6. Conditions de paiement

Les créanciers qui accepteront de céder leurs créances seront tenus informés du résultat de l'analyse des documents (cf chiffre 4 ci-dessus) qui auront été fournis. Sur la base d'un contrat de cession à établir entre l'OFAEE et le créancier concerné, tous les documents originaux nécessaires à la réalisation de l'acte de cession seront mis à disposition de l'OFAEE ou d'un agent/d'une fiduciaire mandaté à cet effet. Il est prévu que le paiement du prix d'achat sera effectué au 31 août 1992.

* * * * *

4. Dans ce cas veuillez faire suivre l'original par voie postale.

TABLE 2

Annexe I

Offre de rachat concernant 22 pays en développement

1. Bolivie	18 %	(dix-huit %)	cut off date:	31.12.1985
2. Equateur	27 %	(vingt-sept %)	cut off date:	01.01.1983
3. Côte d'Yvoire	15 %	(quinze %)	cut off date:	01.07.1983
4. Guinée	23 %	(vingt-trois %)	cut off date:	01.01.1986
5. Guinée-Bissau	20 %	(vingt %)	cut off date:	31.12.1986
6. Honduras	28 %	(vingt-huit %)	cut off date:	01.06.1990
7. Jordanie	39 %	(trente-neuf %)	cut off date:	01.01.1989
8. Cameroun	25 %	(vingt-cinq %)	cut off date:	31.12.1988
9. Congo	12 %	(douze %)	cut off date:	01.01.1986
10. Madagascar	48 %	(quarante-huit %)	cut off date:	01.07.1983
11. Mali	14 %	(quatorze %)	cut off date:	01.01.1988
12. Nicaragua	13 %	(treize %)	cut off date:	01.11.1988
13. Pérou	19 %	(dix-neuf %)	cut off date:	30.09.1991
14. Philippines	54 %	(cinquante-quatre %)	cut off date:	01.04.1984
15. Zambie	17 %	(dix-sept %)	cut off date:	01.01.1983
16. Sénégal	41 %	(quarante et un %)	cut off date:	01.01.1983
17. Sierra Leone	11 %	(onze %)	cut off date:	01.07.1979
18. Soudan	7 %	(sept %)	cut off date:	01.01.1983
19. Tanzanie	25 %	(vingt-cinq %)	cut off date:	30.06.1986
20. Togo	25 %	(vingt-cinq %)	cut off date:	01.01.1983
21. Zaïre	17 %	(dix-sept %)	cut off date:	30.06.1983
22. Rép. Centrafricaine	14 %	(quatorze %)	cut off date:	01.01.1983

Annexe 2

Communication des créanciers à l'OFAEE concernant le rachat des franchises de créances commerciales garanties dans le cadre de la GRE

A: L'OFAEE
Service du Développement
Mesures de désendettement
Palais fédéral Est
3003 Berne

Fax: 031 / 21 53 72

Renseignements: Tél: 031 / 61 22 73

De: Société :

Département :

Adresse :

NP, LIEU :

Fax :

Personne(s) à contacter et Tél:

.....

Numéro de compte et monnaie dans laquelle effectuer le paiement:

.....

En annexe, vous trouverez, s'agissant de notre entreprise⁵ ou s'il s'agit d'un prêt syndiqué, d'un crédit consortial ou de créanciers cessionnaires et cédants: les créances offertes à l'OFAEE (Conformément à l'offre de l'OFAEE du 24 mars 1992) concernant (inscrivez un nombre) pays en développement suivants, pour le montant total de (indiquez si possible un montant approximatif) Sfr

Nous vous confirmons par cette même occasion, que les pleins pouvoirs nécessaires nous été accordés par écrit par tous les créanciers, qu'il s'agisse: d'un prêt syndiqué, d'une créance de type consortial, ainsi que par tous les éventuels cessionnaires et cédants.

Lieu, date, signature(s) et nom(s) de la ou des personne(s):

.....

5. Soit une la banque cessionnaire, soit l'exportateur agissant en tant que chef de file

Créances offertes au rachat:

Pays	Montant approx. ⁶ (en Sfr ⁷)	Numéro de décision / GRE
------	---	--------------------------

Somme globale: Sfr

6. Ce montant englobe les créances définies sous les lettres aa et ab du chiffre 1 de l'offre.
7. Les montants libellés en devises seront fixés, sans engagement de notre part, en utilisant les cours de change théoriques suivants: (US\$:1,5;DM:0,9;FF:0,25;YEN:0,115; autres cours: veuillez fournir les cours utilisés)