

Ecole Supérieure de Commerce de Sfax
ESCS




LE CLUB DE PARIS

ESC Sfax 2020
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Sima-Global Finance

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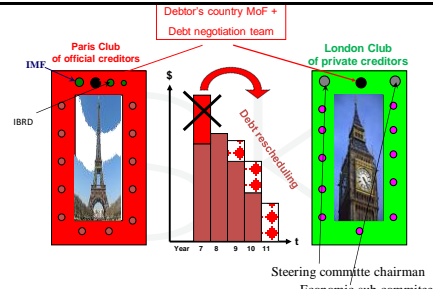


Quels sont les créiteurs?

5 Groupes de principaux créanciers internationaux privés et officiels:

- IFIs: the IMF and the World Bank
- Paris Club of OECD governments
- Private suppliers: trade debt
- The London Club of international banks
- Private & Institutional investors (pension and investment funds): International debt securities and Eurobond holders

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Paris Club of official creditors

London Club of private creditors

Debtor's country MoF + Debt negotiation team

IMF

IBRD

Year 7 8 9 10 11

Debt restructuring

Steering committee chairman

Economic sub-committee

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What about country debt data?



Bank for International Settlements

International Monetary Fund

Organization for Economic Cooperation and Development

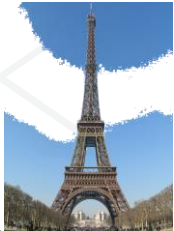
Statistical Data and Metadata eXchange

World Bank Group

Joint External Debt Hub JEDH

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1. Le Club de Paris



<http://www.clubdeparis.org/sections/donnees-chiffres/chiffres-cles>

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1. LA RESTRUCTURATION DE LA DETTE PAR LE CLUB DE PARIS

- ▶ Le Club de Paris est un groupe informel de 22 créanciers publics dont le rôle est de trouver des solutions coordonnées et durables aux difficultés de paiement de pays endettés. Les créanciers du Club de Paris leur accordent un allègement de dette pour les aider à rétablir leur situation financière (rééchelonnement ou, en cas de traitements concessionnels, réduction des obligations du service de dettes pendant une période définie (traitements de flux) ou une date fixée (traitements de stock).
- ▶ L'origine du Club de Paris remonte en 1956.
- ▶ Depuis, le Club de Paris a conclu 433 accords avec 90 pays endettés. Depuis 1956, le montant total de la dette traitée par les accords du Club de Paris s'élève à 583 milliards de \$.

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LA RESTRUCTURATION DE LA DETTE PAR LE CLUB DE PARIS

583Mds\$	433	90	60
Montant de la dette traitée	Nombre total de traitements	Pays éligibles	Pays "Termes Classiques"

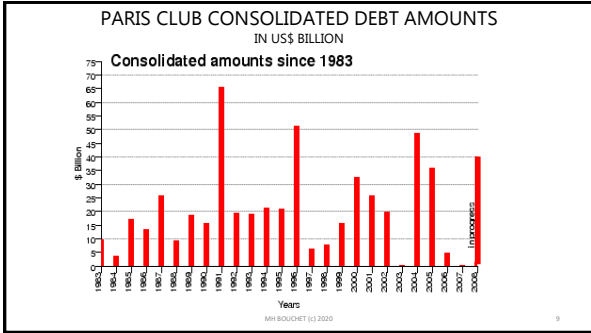
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LA RESTRUCTURATION DE LA DETTE PAR LE CLUB DE PARIS

CHIFFRES CLÉS

Nombre total des traitements	433
Nombre total des pays ayant signé un accord avec le Club de Paris	90
Montant total de la dette traitée	583 milliards de \$
Nombre de pays ayant bénéficié des "Termes Classiques"	60
Nombre de pays ayant bénéficié des "Termes de Houston"	21
Nombre de pays ayant bénéficié des "Termes de Naples"	36
Nombre de pays ayant bénéficié des "Termes de Cologne"	33

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CLUB DE PARIS: FONCTIONNEMENT

- ▶ Un pays endetté est invité à une réunion de négociation avec ses créanciers du Club de Paris lorsqu'il a conclu un programme approprié avec le FMI qui montre que ce pays n'est pas en mesure de respecter ses obligations en matière de dette extérieure et qu'il a besoin d'un nouvel accord concernant les paiements envers ses créanciers extérieurs (principe de conditionnalité)
- ▶ These meetings are held in Paris. The Chairman is a senior official of the French Treasury. Deputies to the Chairman in the French Treasury serve as co-president and vice-president. The current Chairman is the head of the Treasury

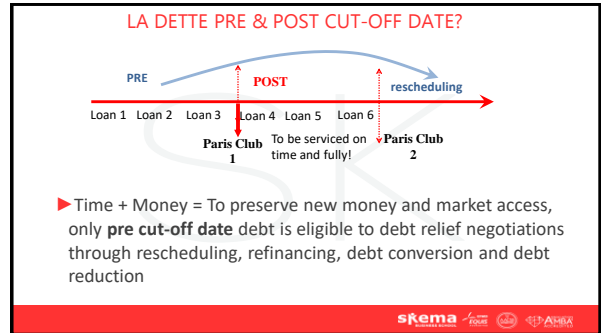
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- ### SIX PRINCIPES:
1. • **Solidarité:** Dans le cadre de leurs négociations avec un pays endetté, tous les membres du Club de Paris agissent en tant que groupe et sont sensibles aux répercussions que la gestion de leurs propres créances est susceptible d'avoir sur les créances d'autres membres.
 2. • **Consensus:** Aucune décision ne peut être prise au sein du Club de Paris si elle ne reflète pas un consensus des pays créanciers participants.
 3. • **Partage d'informations:** Les membres du Club de Paris partagent régulièrement les informations et leurs points de vues avec chacun sur la situation des pays débiteurs.
 4. • **Cas par cas:** Le Club de Paris prend ses décisions au cas par cas de façon à s'adapter en permanence à la situation particulière de chaque pays débiteur.
 5. • **Conditionnalité:** Le Club de Paris rencontre un débiteur seulement lorsque :
 - il y a un besoin d'allègement de dette. Le pays débiteur doit fournir une description détaillée de sa situation économique et financière. Et le débiteur s'engage à mettre en oeuvre les réformes pour restaurer sa situation économique et financière.
 6. • **Comparabilité de traitement:** Le pays débiteur qui signe un accord avec ses créanciers du Club de Paris s'engage à ne pas accepter de ses créanciers non membres du Club de Paris bilatéraux et commerciaux un traitement de sa dette selon des termes moins favorables pour lui que ceux agréés dans le cadre du Club de Paris.
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LES ENCOURS DU CLUB DE PARIS

PAYS DEBITEURS	Colonnes APD	Colonnes NPD	TOTAL
Algerie	63	-	63
Argentine	861	436	1 419
Burkina Faso	43	333	376
Burundi	245	16	261
Chili	6	37	43
Chine	4 162	-	4 162
Colombie	-	14	14
Cote d'Ivoire	2	-	2
Equateur	-	-	162
Colombie NPD	3 382	461	3 843
TOTAL	8 702	614	9 316
Tunisie	4 985	3 217	8 202
Uruguay	201	1 015	1 217
Venezuela	526	356	882
Yemen	3	-	3
Zimbabwe	83	78	161
Yunnan	12 460	1 078	13 538
Yemen	438	1 172	1 611
Zambia	15	-	15
Zimbabwe	1 236	617	1 853
Autres pays	275	6 308	6 583
TOTAL GENERAL	168 618	207 331	375 949

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PARIS CLUB DEBT RESTRUCTURING

- From debt rescheduling to debt reduction and debt conversion
- 09/1990: Houston terms: (15/8) for countries with GDP per capita <\$1345
- Toronto 1988 : 33% debt reduction: Menu approach
- 12/1991: Enhanced Toronto terms: 50% reduction of eligible debt payments or consolidated debt in NPV, with promise of considering « stock reduction »
- Naples 1994 67% NPV (flow rescheduling) for EMCs with per capita GDP<US\$500 and D/X ratio >350%
- Lyon 1996 HIPC 80% debt stock rescheduling
- Cologne June 1999: debt stock reduction

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TORONTO TERMS, OCTOBER 1988

- Debt flow reduction: 33% reduction of part of the debt servicing burden of poor countries
- 20 countries benefited from Toronto terms between 1988 and 1991, when these terms were replaced by London terms.

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TORONTO TERMS- OCTOBER 1988

- ▶ **Non-ODA debt** ("Official development assistance"): 33.33% cancellation. 3 options:
 - **"debt reduction option"**: 33.33% of the claims treated were cancelled, the outstanding part being rescheduled at the appropriate market rate with a 14-year repayment period including 8-year grace.
 - **"debt service reduction option"**: the claims treated are rescheduled at a reduced interest rate with a 14-year repayment period including 8-year grace.
 - **"commercial option"**: the claims treated were restructured at the appropriate market rate over a longer period (25-year repayment period including 14-year grace). This was a non-concessional option.
- ▶ **ODA credits**: Rescheduled at an interest rate at least as favourable as the original concessional interest rate applying to these loans, with a 25-year repayment period including 14-year grace.

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HOUSTON TERMS- SEPTEMBER 1990



- ▶ Long-term debt rescheduling for middle-income countries
- ▶ Repayment periods are lengthened = (15/8)
- ▶ 17 countries have benefited from the Houston terms.

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HOUSTON TERMS- SEPTEMBER 1990

- ▶ **Non-ODA credits**: Rescheduled at the appropriate market rate over around 15 years with 2-3 years grace and progressive payments raising year by year
- ▶ **ODA credits**: Rescheduled at an interest rate at least as favourable as the original concessional interest rate applying to these loans, over 20 years with a maximum 10-year grace. This rescheduling usually results in a reduction of the net present value of the claims, as the original concessional rate is smaller than the appropriate market rate
- ▶ Option for creditor countries to conduct, on a bilateral and voluntary basis, debt swaps with the debtor country

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LONDON TERMS- DECEMBER 1991



- ▶ This new treatment raises the level of debt cancellation from the 33.33% defined in Toronto terms to 50%.
- ▶ 23 countries benefited from London terms between 1991 and 1994, when these terms were replaced by Naples terms.

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LONDON TERMS- DECEMBER 1991

- ▶ Non-ODA credits: 50% cancellation (after possible topping-up). 4 options:
 - **"debt reduction option"**: 50% of the claims treated were cancelled
 - **"debt service reduction option"**: the claims treated were rescheduled at a reduced interest rate (23 years repayment period with progressive payments)
 - **"moratorium interest capitalisation option"**: the claims treated were rescheduled at a reduced interest rate (23-year repayment period including 6-year grace and progressive payments).
 - **"commercial option"**: the claims treated were restructured at the appropriate market rate over a longer period (25-year repayment period including 14-year grace)
- ▶ ODA credits: Rescheduled at an interest rate at least as favourable as the original concessional interest rate applying to these loans (30-year repayment period including 12-year grace and progressive repayment)

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NAPLES TERMS, DECEMBER 1994

- ▶ two substantial enhancements
 - for the poorest and most indebted countries, the level of cancellation is at least 50% and can be raised to **67%** of eligible non-ODA credits. Creditors agreed in September 1999 that all Naples terms treatments would carry a 67% debt reduction;
 - stock treatments may be implemented, on a case-by-case basis, for countries having established a satisfactory track record with both the Paris Club and IMF and for which there is sufficient confidence in their ability to respect the debt agreement.
- ▶ As of today, 32 countries have benefited from Naples terms.

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NAPLES TERMS- DECEMBER 1994

- ▶ Non-ODA credits: 67% cancellation. 2 major options:
 - **"debt reduction option"**: 67% of the claims treated are cancelled (after possible topping-up), the outstanding part being rescheduled at the appropriate market rate
 - **"debt service reduction option"**: the claims treated are rescheduled at a reduced interest rate
- ▶ ODA credits: Rescheduled at an interest rate at least as favourable as the original concessional interest rate applying to these loans (40 years with 16-year grace and progressive repayment)

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LYON TERMS- NOVEMBER 1996



- ▶ the Paris Club creditor countries, in the framework of the HIPC initiative, accepted to raise the level of cancellation up to **80%** for the poorest countries with the highest indebtedness under strict eligibility criteria
- ▶ 5 countries have benefited from the Lyon terms

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LYON TERMS- NOVEMBER 1996

- ▶ **Non-ODA credits:** cancellation to an 80% (after possible topping-up). 3 options:
 - **debt reduction option:** 80% of the claims treated were cancelled
 - **debt service reduction option:** the claims treated were rescheduled at a reduced interest rate (40-year repayment period including 8-year grace and progressive payments).
 - **capitalisation of moratorium interest option:** the claims treated were rescheduled at a reduced interest rate (40-year repayment period including 8-year grace and progressive payments).
- ▶ **ODA credits:** Rescheduled at an interest rate at least as favourable as the original concessional interest rate applying to these loans (40 years with 16-year grace and progressive repayment).

COLOGNE TERMS- NOVEMBER 1999



- ▶ The Paris Club creditor countries raised the level of cancellation for the poorest countries **up to 90%** or more if necessary in the framework of the HIPC initiative
- ▶ 38 countries are potentially eligible for the HIPC Initiative and may benefit from the Cologne terms
- ▶ 20 countries have benefited from the Cologne terms

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COLOGNE TERMS- NOVEMBER 1999

- ▶ Non-ODA credits: Cancelled up to a 90% or more if necessary in the context of the HIPC initiative
- ▶ ODA credits: Rescheduled at an interest rate at least as favourable as the original concessional interest rate applying to these loans (40 years with 16-year grace and progressive repayment)
- ▶ Debt swaps transaction on a bilateral and voluntary basis
- ▶ Creditors may cancel their commercial claims up to a level higher than the one provided by the Paris Club agreements

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EVIAN APPROACH- OCTOBER 2003

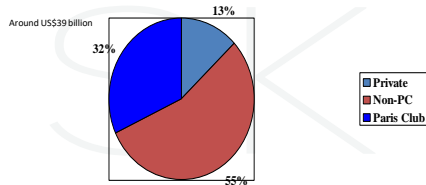


- ▶ The representatives of the creditor countries usually taking part in Paris Club negotiations met in Paris on October 8, 2003 and agreed on a new approach to deal with non-HIPC countries: pragmatic, tailor-made approach to debt relief
- ▶ The Paris Club aims to take into account debt sustainability considerations, to adapt its response to the financial situation of the debtor countries, and to make a contribution to the current efforts to make the resolution of crises more orderly, timely and predictable.

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PARIS CLUB AND IRAQ TOTAL DEBT: US\$114 BILLION



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PARIS CLUB AND IRAQ

Total debt of Iraq= \$114 billion

- ▶ Debt to PC creditors: \$39 billion
- ▶ 12/2004: 80% debt reduction with an immediate 30% write off. Another 30% to be written off upon signing of a \$436 million post-conflict SBA with the IMF, and the balance on the program's successful completion.
- ▶ Rescheduling of remaining debt under Naples terms (23/6)
- ▶ 100% capitalization of moratorium interests
- ▶ 17 year of repayment of the remaining debt with a 6 year grace period and twice-yearly installments
- ▶ Cut-off date: May 2003

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THE HIPC INITIATIVE:

INITIATIVE PPTE POUR
36 PAYS PAUVRES ET TRÈS ENDETTÉS

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L'Initiative PPTE

Point de décision:

- Pour être éligible à cette assistance, le pays doit adopter un programme d'ajustement et de réformes **soutenu par le FMI et la Banque Mondiale**
- A la fin de la période préliminaire, une analyse de soutenabilité de la dette est réalisée par le FMI et la Banque Mondiale afin de déterminer la situation d'endettement extérieur du pays.
- Si le ratio reste > 150% après mise en œuvre des traitements de dette traditionnels, le pays est éligible à une assistance dans le cadre de l'initiative PPTE.
- Dans le cas particulier des économies très ouvertes (avec un ratio d'exportations sur PIB de plus de 30%) et un poids élevé du stock de la dette (> 15% du PIB), l'objectif peut être fixé pour que la VAN de la dette soit de 250% des revenus budgétaires au point de décision.

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HIPC INITIATIVE PPTE

- ▶ Through the HIPC Initiative, nominal debt service relief of more than US\$ 56 billion has been approved for 28 countries, reducing their NPV of external debt by approximately two-thirds. Of these countries, 19 have reached the completion point and have been granted unconditional debt service relief over US\$37 billion.
- ▶ Poverty reducing expenditures are expected to rise to more than four times of debt-service payments, financed in part from resources freed by HIPC debt relief.
- ▶ Challenge: Ensuring full participation by all creditors to support the countries' efforts towards debt sustainability.

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LISTE DES PAYS ÉLIGIBLES À L'INITIATIVE PPTE

36 Post-Completion-Point HIPCs ^{1/}			
Afghanistan	Congo, Dem. Rep. of the	Haiti	Niger
Benin	Congo, Rep. of	Honduras	Rwanda
Bolivia	Côte d'Ivoire	Liberia	São Tomé and Príncipe
Burkina Faso	Ethiopia	Madagascar	Senegal
Burundi	Gambia, The	Malawi	Sierra Leone
Cameroon	Ghana	Mali	Tanzania
Central African Republic	Guinea	Mauritania	Togo
Chad	Guinea-Bissau	Mozambique	Uganda
Comoros	Guyana	Nicaragua	Zambia
3 Pre-Decision-Point HIPCs ^{2/}			
Eritrea	Somalia	Sudan	

^{1/} Countries that have qualified for irrevocable debt relief under the HIPC Initiative.
^{2/} Countries that are eligible or potentially eligible and may wish to avail themselves of the HIPC Initiative and MDRI.

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Post-Completion-Point Countries (36)			Pre-Decision-Point Countries (3)		
Afghanistan	Ethiopia	Mauritania	Eritrea	Somalia	Sudan
Benin	The Gambia	Mozambique			
Bolivia	Ghana	Nicaragua			
Burkina Faso	Guinea	Niger			
Burundi	Guinea-Bissau	Rwanda			
Cameroon	Guyana	São Tomé & Príncipe			
Central African Republic	Haiti	Senegal			
Chad	Honduras	Sierra Leone			
Comoros	Liberia	Tanzania			
Republic of Congo	Madagascar	Togo			
Democratic Republic of Congo	Malawi	Uganda			
Côte d'Ivoire	Mali	Zambia			

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09/1996 HIPC INITIATIVE PPTE

Debt reduction targets:

- ▶ at completion point, bringing NPV of Debt/XGS < 200% and down to <150% after 06/1999 Cologne meeting
- ▶ Present value calculations of debt take account of the fact that the debt is at concessional rates so that the stream of debt service does not add up to its face value, when discounted at market interest rates. On average, the ratio of Pv/Fv is about 55% for HIPC countries.
- ▶ On average, the debt/X ratios of LAC at the time of their debt crises reached 250% and a Debt/GDP ratio of 80%
(Daniel Cohen, ENS)

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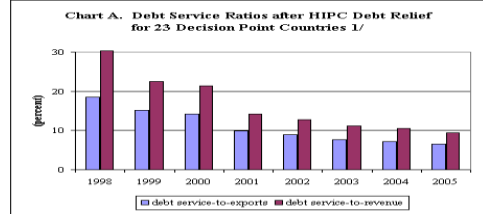
HIPC

External Debt/GDP	Before completion	After completion	End-2004
Mozambique	149%	102 (2001)	72
Ghana	98%	75 (2004)	75
Uganda	65%	59 (2000)	61
Benin	56%	44 (2003)	43
Mali	90%	75 (2003)	69

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THE EFFECT OF DEBT RELIEF ON HIPC



Sources: HIPC country documents; and World Bank and IMF staff estimates. 1/ Simple averages.

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