

Mexico (US \$47.2b of commercial debt renegotiated), Argentina (US \$29.3b) and Venezuela (US \$19b) have been the largest beneficiaries of the programme. Earlier this year, Brazil also finalized an agreement with its commercial creditors to reschedule US \$49 billion under the Brady Plan.⁷

One of the results of the Brady Plan has been that commercial debt has been swapped for multilateral guaranteed debt and some new IFI financing. In addition, commercial creditors have continued to reduce their exposure in developing countries by other means, such as selling discounted loans in the secondary market and debt-equity swaps, although these have slowed in the last couple years owing to the reduced discount on much of the outstanding debt.⁸ For the developing countries, the Brady reschedulings have not provided significantly more short-term cash flow relief than previous approaches, but they have provided a more stable, long-term payment reschedule.⁹

Through its concessional lending window, the International Development Association (IDA), the World Bank established the Debt Reduction Facility in 1989. Initially capitalized with US \$100 million of net income from the World Bank, the facility was designed to enable low income countries to buy back their commercial debt at a discount, with financing provided by the IDA and bilateral grants. To date, five countries have used this facility, purchasing outstanding debt obligations totalling US \$623 million at a price ranging from 10% to 16% of face value. An additional six countries are in the process of utilizing this facility, which has been extended to July 1995 with the recapitalization of another US \$100 million from World Bank net income.¹⁰

⁷See Gilpin (1994). Other countries that have benefitted from the Brady Plan are the Philippines, Costa Rica, Uruguay, Nigeria and Jordan. The Dominican Republic and Bulgaria have also reached agreements in principle with their bank steering committees and are expected to conclude these agreements sometime this year. Poland, Peru, Ecuador and Panama have also entered into discussions with commercial creditors. See Clark (1994), p. 44.

⁸See World Bank (1993c), Vol. 1, pp. 40-2 for a brief overview of these mechanisms.

⁹Clark (1994), p. 62.

¹⁰The countries that have used this facility, along with dates, face value of purchased debt, percent of face value paid, and actual purchase price, are:

Country	Date	Buy Back Amount (US \$)	% of face value	Actual Cost (US \$)
Niger	1991	107m	18.0	19.3m
Mozambique	1991	124m	10.0	13.4m
Guyana	1992	69m	14.0	10.0m
Uganda	1993	153m	12.0	18.4m
Bolivia	1993	170m	16.0	27.0m
Total		623m	14.1	88.1m