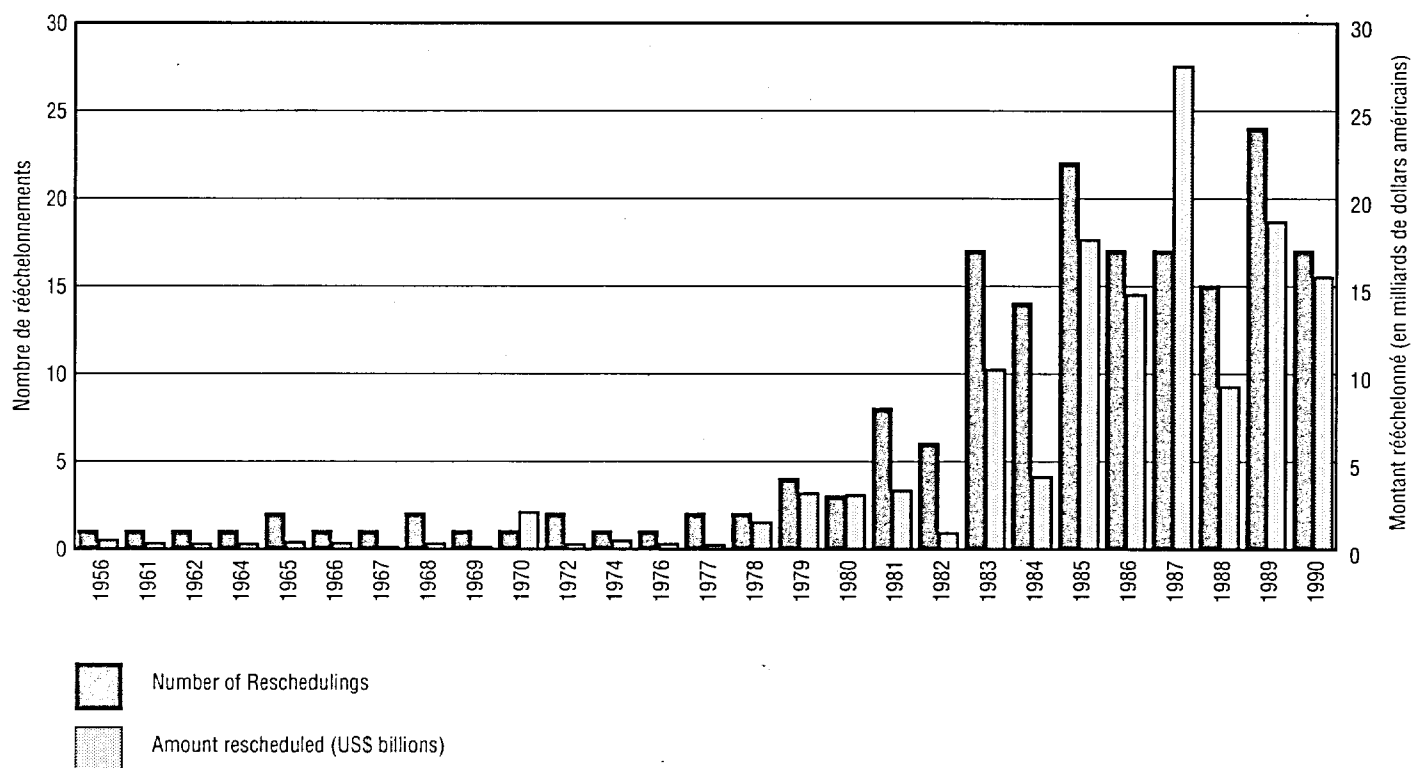


The role of the Paris Club is to be supportive of countries in difficulty, by relating debt service payments to the country's capacity to pay. Rescheduling by the Paris Club normally entails the deferral of payment obligations (interest and principal) over long periods of time and is conditional on an IMF-supported adjustment program.

The total debt rescheduled by the Paris Club, from 1982 when the debt crisis broke until March 1990, is estimated at US\$117 billion. There have been 143 separate reschedulings involving 53 countries over the past eight years. This contrasts sharply with the 1960s and 1970s, when reschedulings were relatively infrequent (see Tables III and IV).

The debt situation of the poorest countries has been of special concern to Paris Club members. Under the Toronto Terms, these countries may be granted relief on their official debt during the moratorium period under one of three options: a) a one-third reduction in their debt; b) extended relief on their official debt repayment periods of up to 25 years; or c) a reduction in the interest rate charged by the lesser of 3.5 percentage points or 50 per cent. Creditor governments were urged to fund the reductions with new monies, not drawn from existing ODA budgets. **Canada has consistently offered lower interest rates (option c) and the Government allocated new money to the ODA budget for this purpose.** To date 18 countries have had servicing obligations on nearly US\$6 billion of debt rescheduled under the Toronto Terms.

Table 3
Paris Club Reschedulings



Source: Paris Club Secretariat