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Sovereign Debt Restructurings and the IMF: Implications for Future Official Interventions*

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Abstract

This paper studies the role played by the IMF during sovereign debt restructurings and extract lessons for future official interventions. To do so, I compare twelve recent debt restructurings. I begin by detailing the main features ("restructuring strategies") of each episode. I then analyze the involvement of the Fund and relate it to the above-cited strategies. Despite the wide heterogeneity both in restructuring strategies and in the scope of IMF's involvement, the Fund exerted a substantial influence. This influence came, not only through the provision of official finance and by setting an adjustment path through conditionality, but also by providing independent information and influencing countries decision to restructure by providing incentives both to creditors and debtors. My conclusion is that the flexibility that has characterized the role of the IMF so far might have exacerbated uncertainty and induced undesirable strategies from debtors and creditors alike. Thus, the international community could benefit from granting the IMF a more standardized operational role, reducing gambling for resurrection strategies and fostering fairness. Along these lines, I present ideas for reframing the IMF's engagement in sovereign debt restructurings.

JEL codes: H12, H63, F34, F53, O57

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ABSTRACT

This paper studies the role played by the IMF during sovereign debt restructurings and extract lessons for future official interventions. To do so, I compare twelve recent debt restructurings. I begin by detailing the main features ("*restructuring strategies*") of each episode. I then analyze the involvement of the Fund and relate it to the above-cited *strategies*. Despite the wide heterogeneity both in restructuring strategies and in the scope of IMF's involvement, the Fund exerted a substantial influence. This influence came, not only through the provision of official finance and by setting an adjustment path through conditionality, but also by providing independent information and influencing countries decision to restructure by providing incentives both to creditors and debtors. My conclusion is that the flexibility that has characterized the role of the IMF so far might have exacerbated uncertainty and induced undesirable strategies from debtors and creditors alike. Thus, the international community could benefit from granting the IMF a more standardized operational role, reducing gambling for resurrection strategies and fostering fairness. Along these lines, I present ideas for reframing the IMF's engagement in sovereign debt restructurings.

KEYWORDS: IMF Lending, Sovereign Debt Distress, Arrears, Inter-Creditor Equity, Gambling.
JEL Codes:

Introduction

The issue of sovereign debt restructurings, which so much focus is receiving as the crisis in Europe evolves, has long figured prominently in the international policy agenda.[3] The beginning of the century witnessed an intense debate on whether the international community should adopt a statutory approach centred on the establishment of an official debt restructuring mechanism to address sovereign insolvencies (Krueger, 2002). Ultimately, this proposal was dropped in favour of a less ambitious contractual approach based on the inclusion of collective action clauses and other innovations in international bond issuances. Apart from committing the Institution to promote collective action clauses, this approach left the role of the IMF in coping with sovereign debt restructurings essentially unchanged.

In the face of the current turmoil in the Euro Zone, the role of the IMF in lending to distressed sovereigns has become again an important element of the debate. Thus, the European Stability Mechanism has been designed to resemble the IMF's framework as much as possible.[4] Thus, it is important to understand the merits and pitfalls of the Fund's approach in order to guide the design of these new safety nets for sovereigns.

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[1] I thank Paul Bedford, Javi Diaz-Cassou, Santiago Fernandez de Lis, Olivier Jeanne, Gregor Irwin, Jeromin Zettelmeyer and seminar participants at Banco de España, the International Monetary Fund and AFI for comments and suggestions. Laura Fernandez and Silvia Gutierrez provided superb research assistance. The views expressed here are the author's and need not coincide with those of Banco de España or the Eurosystem.

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[3] See Sachs (1995) or Eichengreen and Portes (1998)

[4] http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/636

As a matter of fact, the IMF's toolkit does not include any instrument specifically designed to deal with sovereign debt restructurings.[5] Unfortunately, while this has provided the Fund with some flexibility to react to specific circumstances on a case by case basis, it has come at the cost of exacerbating the uncertainty that surrounds the official response to such episodes. In most cases, the IMF's involvement has been articulated around a financial program approved either prior to the sovereign's restructuring plan, or as a result of it. Formally, there is no distinction between such programs and "traditional" IMF-supported programs. Only if a country falls into arrears with its external private creditors, as it is often the case during sovereign debt restructurings, does the policy of Lending into Arrears (LiA) come into effect. This is why the LiA policy is often associated with the role of the IMF in sovereign debt restructurings. However, it is important to note that there is scope both for debt restructurings backed by an IMF program without activating the LiA policy (in the case of "pre-emptive" restructurings in which the sovereign remains current on its external debt payments) and for programs under the LIA policy in which only minor components of sovereign debt are re-negotiated in order to settle pending arrears.

As a result of the broad-based discontent with the Fund's controversial role during the Argentine restructuring (2001-2005), the role of the IMF in these episodes came under scrutiny (Simpson, 2006).[6] Indeed, this episode raised awareness about a number of shortcomings relating the Fund's engagement in debt restructurings (see Diaz-Cassou et al., 2008). First, the Fund's financial exposure to the restructuring country tends to generate a conflict of interest for the Institution, as it may come to be perceived as primarily concerned with safeguarding its resources and preserving its preferred creditor status (Simpson, 2006), reducing its credibility as an impartial player in the crisis resolution process. This conflict of interests tends to be accentuated in the case of large inherited programs. Moreover, unless total Fund's exposure increases, extensions of on-going programs or programs approved in order to succeed the inherited ones do not provide fresh resources and, at least partially, simply roll-over existing obligations to the Fund, undermining the debtor-in-possession argument as a justification for the policy of Lending Into Arrears.[7] Second, the good faith criterion, which conditions the Fund's financial support to countries with outstanding external arrears (LiA), lacks economic content and is judgemental in nature, leaving scope for arbitrariness in its interpretation. Third, in order not to interfere with the negotiations between the sovereign debtor and its private creditors, some have argued that the IMF should restrain from providing the "resource envelope" of the restructuring through its program's macroeconomic framework. Others, instead, argue that this is a key feature of the public good provided by the IMF during a restructuring process. Finally, intimately linked to the above is the ambiguity stemming from the Fund's role as a provider of information and the question of whether the Institution should systematically provide the parties involved in the restructuring with a debt sustainability analysis.

In order to provide food for thought regarding these issues and, more in general, the role of the IMF in sovereign debt restructurings we carry out a comprehensive analysis of 12 recent sovereign debt restructurings (Argentina, Belize, Dominica, Dominican Republic, Ecuador, Grenada, Jamaica, Pakistan, Russia, Serbia, Ukraine and Uruguay) and attempt to identify the various dimensions of the Fund's involvement in those processes.[8] The next section briefly describes the only policy in place explicitly designed to cope with sovereign defaults, the LiA Policy, and how it evolved since its inception. Section 3 presents our case studies and describes their evolution across a number of

[5] This is despite the fact that in recent years the IMF has changed its lending policies by creating front-loaded unconditional facilities (FCL, PCL, rapid credit line, exceptional access).

[6] Indeed the LiA policy was one of the specific items for revision under the IMF's 2006 medium term strategic review.

[7] As Fund credit is senior, on account of the Fund's preferred creditor status, investors draw a parallel between the extension of Fund credit to a sovereign with arrears to private creditors and debtor-in-possession (DIP) financing to distressed private debtors (IMF, 2002). As the provision of official financial support may contribute to preserve the economic value of creditors' claims and facilitate the normalization of the member's external financial position, some have established a parallelism between LiA programs and DiP financing in private bankruptcies.

[8] While in most of our cases IMF-supported programs were in place around the time of the restructuring, not in all was the LIA policy applied.

dimensions relevant for the reframing of the IMF's role in debt restructurings. Section 4 discusses the various roles played by the IMF in the episodes under scrutiny and how this relates to the above mentioned characteristics of the exchange. The final section presents the main caveats of the current framework and provides ideas regarding the role the IMF could have.

IMF's policy during sovereign debt crises: The Lending Into Arrears policy

Until 1989 the IMF stuck to a policy of non-toleration of arrears to external private creditors, meaning that all financial programs required the elimination of external arrears and the non-accumulation of new ones during the program period (IMF, 1999). This policy was seen as instrumental to provide both members states and private creditors with incentives to seek a timely agreement in order to clear arrears and restructure the debt. The protraction of the 1980's debt crisis, however, gradually undermined the rationale behind the non-toleration of arrears. Indeed, mainly due to the development of a secondary market for banks' claims and of the strengthening of commercial banks' balance sheets, private creditors showed increasing reluctance to engage in constructive negotiations with their sovereign debtors. In this context, the non-toleration of arrears became a *de facto* veto power assigned to commercial banks over the Fund's lending decisions.

The policy of lending into arrears, therefore, was introduced as an explicit move to reduce private creditors' leverage over the Fund's decision to support crisis countries. The new policy legalised the Fund's lending to countries in arrears to commercial banks, subject to the existence of a discernible negotiation process ongoing. It also allowed for further accumulation of arrears during the program period. This paved the way for a more active IMF involvement in the resolution of the debt crisis, and has remained ever since a pillar of the Fund's role in sovereign debt restructurings.

There have been various modifications of the LiA policy since its inception (IMF, 2002). In 1998, it was broadened to encompass bonded debt, reflecting the securitization of sovereign debt. One year later, the policy was modified again to soften the requirements that negotiations be in place in order for a program to be approved. Under the new policy, formal negotiations are not required to have begun as long as the member state is deemed to be making a good faith effort to reach a collaborative agreement. This change aimed at reflecting that, given the heterogeneity and number of bondholders potentially involved, initiating negotiations for the restructuring of bonded debt is likely to be harder than for syndicated loans. A last modification, in 2002, introduced various principles aimed at guiding the interpretation of the good faith criterion.

As we have seen, in essence, the LiA policy constitutes a legal device to allow the Fund's lending in a set of circumstances in which financial programs were previously ruled out. There are two procedural elements which differentiate a LiA program from 'traditional' programs. On the one hand, the *good faith criterion* is included as an additional condition for the Fund's disbursements. The lack of a clear definition of what "good faith" means called for a subsequent issuance of some principles to assess whether a member is undertaking efforts to reach a collaborative agreement with its private creditors. The principles are: (i) the member should engage in an early dialogue with creditors, (ii) the member should share relevant information on a timely basis[9], (iii) the member should provide creditors with an early opportunity to give input on the design of restructuring strategies and individual instruments. Notwithstanding this clarification, the good faith criterion is still perceived as fundamentally judgemental (Simpson, 2006). On the other hand, while arrears remain outstanding, *financing assurances reviews* shall be conducted before disbursements are made available. Such reviews aim at determining whether adequate safeguards are in place for

[9] This includes an explanation of the economic and financial circumstances justifying the debt restructuring, an outline of a viable economic program to address the underlying problems and its implica tions on the financial parameters shaping the envelope of resources available for restructured claims, the provision of a comprehensive picture of the proposed treatment of all claims, including those of official bilateral creditors, and the elaboration of the basis on which the debt restructuring would restore medium-term sustainability.

further use of the Fund's resources, and to assess whether the member's adjustment efforts are undermined by developments in debtor-creditors relations.

While beyond these procedural requirements, the LiA policy does not specify what the role of the IMF should be during a sovereign debt restructuring, there are a number of channels through which it can influence the outcome of a restructuring that go beyond the provision of financial support. First of all, as any IMF-supported program, programs around debt restructurings are constructed upon a macroeconomic framework including conditionality over domestic adjustment. If domestic adjustment is interpreted as the counterpart of the "haircut" imposed on creditors as a result of the debt restructuring, the program's macroeconomic framework unavoidably influences the negotiation process. In addition, the IMF plays an important role as a provider of information given the heightened uncertainty that surrounds such episodes. Finally, the IMF can play an active role in a restructuring by and influencing the sovereign's decision to restructure and providing incentives to private creditors.[10]

Case studies

This paper covers 12 sovereign debt restructurings: Argentina, Belize, Dominica, Dominican Republic, Grenada, Jamaica, Ecuador, Pakistan, Russia, Serbia, Ukraine and Uruguay.[11] The IMF was involved in all of them but Belize through a financial program approved either prior, during and/or after the restructuring. [12] Table 1 provides a preliminary description of the various events under scrutiny.[13]

TABLE 1 - KEY FEATURES OF RESTRUCTURINGS

	1998 Russia	*1999* Pakistan	*1998* Ukraine	*1999* Ecuador	*2001* Argentina	*2003* Uruguay	*2004* Dom. Rep.	*2000* Serbia[3]	*2004** Dominica	*2004* Grenada	*2006* Belize	*2010* Jamaica
Announcement of the restructuring/date of default	aug - 98	may - 99	aug - 98	sept - 99	june -01	march - 03	dec - 04	dec-00	dec - 03[4]	oct - 04[5]	aug - 06	feb-10
Completion of the restructuring	aug - 00	dec - 01	july - 01	end -00	june - 05	may - 03	oct - 05	nov-05	june - 04[6]	nov - 05	feb - 07	feb-10
Debt to GDP (%)[1]	51	84	42	100	62.2 (2001); 132 (2004)	104	54	127	130	129	98	124
Restructured debt (%GDP)	32	27	14.80	46	*30 (2001); 53.4 (2005)*	44	7.4[8]	30	66	53	47	65
Restructured debt (USD bn)	71.6[7]	19	4.7	7.81	162.3[4]	5.35	1.63	7.12	0.17	0.29	0.57	7.86
Rest. debt - private sector (% GDP)[2]	*28.3*	*2.5*	*12.9*	*40.8*	*30 (2001); 53.4 (2005)*	*44.0*	*5.9*[8]	*7.1*	65.6	*49.8*		65
Paris Club reschedulings (% GDP)	*4.14*	*24.9*	*1.85*	*5.52*[9]	*no resch.*	*no resch.*	*1.5*[8]	*19*	*no resch.*	*2.83*	*no resch.*	*no resch.*
London Club restructuring (%GDP)	12.24	1.49	*no rest.*	*no rest.*	*no rest.*	*no rest.*	*0.9*	11	*no rest.*	*no rest.*	*no rest.*	*no rest.*

* We consider 2004 as the year of the restructuring t even if the debt exchange offer was launched in December of the previous year.
1 Closest available data to the launch of the exchange.
2 Computed as total restructured debt - Paris Club agreements.
3 Serbia and Montenegro. Ratios computed using 2000 GDP data. We exclude 2005 Paris Club agreement.
4 The formal debt exchange offer was made in April 2004.
5 The offer was launched in September 2005.
6 The exchange offer formally closed in June 2004, but the deal was not completed until 2007 due to discussions with hold out creditors.
7 At pre-crisis exchange rates for 1998-98 debt exchange
8 Ratios computed using 2004 GDP.
9 2003 Paris Club agreement not included.
SOURCES: Erce and Diaz-Cassou (2010), Diaz-Cassou and Erce (2008a), Diaz-Cassou and Erce (2008b), IMF (2003), IMF (2006), Moody's, Owen and Robinson (2003), Sturzenegger and Zettelmeyer (2007), S&P, WDI and authors' calculations.

Our analysis revolves around four factors which we consider key for understanding the outcome of the processes and re-framing the IMF's policy. Firstly, we compare pre-emptive and post-default restructurings. Second, we distinguish cases in which the restructuring was comprehensive and the authorities attempted to achieve a high degree of inter-creditor equity from those in which the authorities adopted a selective approach. Third, we study whether domestic and official creditors were treated differently from external creditors at the various stages of the crises. Finally, we focus on the Fund's role.

10 In some occasions, the Fund has taken part in meetings and issued comfort letters to support the exchange.
11 I excluded from the analysis cases in which the LiA policy applied as a result of minor external arrears which did not give rise to a broad-based sovereign debt restructuring.
12 We have included the recent restructuring in Belize, which was conducted without the umbrella of the IMF to provide us with a benchmark.
13 Diaz-Cassou et al. (2008a) and Erce and Diaz-Cassou (2010) put these debt restructurings in context.

Pre-emptive vs. post-default restructurings

A basic differentiation between restructurings is whether they were pre-emptive or were, instead, carried out following a sovereign default (Finger and Mecagni, 2006). A pre-emptive debt restructuring is one that is carried out without incurring on arrears. Accordingly, the IMF should have been expected to act through the LiA policy in the post-default restructurings. However, the complicated due to the complicated dynamics of these episodes these associations need not be the case. Indeed, as a result of minor arrears with specific suppliers or commercial banks, the IMF acted through the LiA policy in some pre-emptive cases, such as the Dominican Republic and Dominica, where arrears were minor.

In principle, pre-emptive restructurings could be assumed to aim at addressing liquidity problems and post-default restructurings situations of insolvency. However, as shown in Table 2, the mean debt to GDP ratio at the time of the restructuring is only slightly higher in post-default cases.[14] In pre-emptive cases as Jamaica or Uruguay, debt to GDP stood at 124% and 130%, respectively, at the time of the restructuring. In contrast, the debt to GDP ratio of Russia, a post-default case, stood at 51%. Similarly, both types of restructurings were, in general, preceded by large rises in the level of external debt. Also the liquidity indicators (Table 2) show the ambiguous situation of some restructurings regarding the liquidity-solvency dichotomy. Note that both Pakistan and Uruguay displayed higher debt service to exports ratios than Russia, while the total debt service to reserves ratio was higher in Dominican Republic, Pakistan and Uruguay than in any post-default case.

TABLE 2 - NATURE OF THE PROBLEM

	Debt (% GDP), growth rate (t-1, t-3)*	Debt (% GDP)[1]	Liquidity: TDS[2]/ exports	Liquidity: TDS[2]/ reserves	GDP growth, (t-2,t)	GDP growth, (t+1,t+3)	Real GDP growth, (t-2,t)	Real GDP growth, (t+1,t+3)	Liquidity VS Solvency
Pre-default									
RD	61.32	54	0.08	2.90	-13.5	22.2	#N/A	#N/A	Liquidity
Pakistan	.	84	0.22	1.26	-6.6	-1.9	6.3	5.1	Liquidity
Ucrania	22.54	42	0.07	0.57	-6.0	20.4	#N/A	#N/A	Liquidity
Uruguay	159.46	104	0.40	1.62	-42.3	44.2	#N/A	#N/A	**Ambiguous**
Dominica	48.84	130	0.11	0.28	11.8	14.0	#N/A	#N/A	Solvency
Belize	11.64	98	0.35	3.06	14.9	5.9	#N/A	#N/A	Solvency
Jamaica[5]	23.17	124	0.34	0.70	-4.0	7.7	-4.2	4.2	Solvency
Mean	54.50	90.84	0.22	1.48	-6.53	16.07	#N/A	#N/A	
Post-default									
Argentina	24.21	132	0.69	1.07	-5.2	48.9	#N/A	#N/A	Solvency
Ecuador	-13.76	100	0.30	0.87	-29.5	55.0	#N/A	#N/A	Solvency
Rusia	21.58	51	0.07	0.40	-30.8	56.5	#N/A	#N/A	**Ambiguous**
Serbia	-	127	-	-	n.a.	72.1	#N/A	#N/A	Solvency
Grenada	55.87	0	0.00	0.00	7.3	10.1	#N/A	#N/A	Solvency
Mean	21.98	82.0	0.26	0.58	-14.5	48.5	#N/A	#N/A	

[1] At the time of the restructuring or closest date available (Argentina: 2004 fig.)
[2] TDS: total debt service (t-1)
[3] From the announcement of the restructuring/default by the authorities until the official closure of the exchange.
[4] Restructured debt to total external debt.
* Ukraine: t-2, t-1.
[5] Data of t+1, t+2 and t+3 are estimates.
SOURCES: Diaz-Cassou and Erce (2008a), Owen and Robinson (2003), IMF (2002), IMF (2006), WEO, WDI and authors' calculations.

Given that neither sustainability nor the intensity of liquidity pressures suffice to explain the authorities' choice to remain current on debt payments, other factors must be at play.[15] One factor that may influence the authorities' choice is that remaining current on debt payments seems to facilitate the restructuring. Table 3 shows that pre-emptive restructuring were quicker to complete: 5 quarters on average against 10 quarters in post-default cases. In addition, countries that

[14] Indeed, according to RR (2010) countries often default at relatively low levels of debt.

[15] To some extent, the decision to default was circumstantial and highly influenced by country specific political or social factors or by the authorities' capacity to deal with the economic dislocation caused by a crisis. This was clearly the case in Argentina, where the default, announced following the fall of the elected government, signalled a change in the course of economic policies and to calm social unrest. In Ecuador, the default was a by-product of institutional weaknesses and fiscal rigidities, which constrained the authorities' ability to stabilize the economy and formulate an effective crisis resolution package. In Russia, the default was part of emergency measures passed after the Parliament derailed a stabilization package which could have resumed disbursements under the IMF's supported program. See Trebesch (2010) for more on the role of politics in explaining sovereign debt restructuring delays.

restructured pre-emptively managed, on average, to secure a higher creditor participation in the debt exchange than in the post-default scenario: 97% against 88%.

Yet, another incentive to restructure pre-emptively may be quickly recovering access to international financial markets. Indeed, all of the indicators used in Table 3 suggest that countries that remain current on external debt payments manage to tap international financial markets faster than defaulters. This was clearly so for Jamaica, Dominican Republic and Uruguay, and less so for Ukraine, Dominica and Pakistan which, in any case, had limited access to international financial markets also prior to the restructuring. In Belize the EMBI went below the 1000bp threshold in a less than a quarter. Among the post-default cases, Russia was the country that faster recovered access to international financial markets. This may be so because the Russian government defaulted on domestic securities while remaining current on post-soviet debt issued abroad.

TABLE 3 - OUTCOME

	Restructuring					Access to int. financial	
	Announcement /default date	Completion	Duration (quarters)	Haircut	Participation	1st int'l bond issuance (quarters)	EMBI Global level below 1000 p.b.
Russia	aug - 98	aug - 00	8	(40,75)	(75-99)	10	11
Pakistan	may - 99	dec - 01	11	(29-32)	99	18	11
Ukraine	aug - 98	july - 01	12	(5-59.2)	(82-100)	16	13
Ecuador	sept - 99	end -00	5	(9-47)	98	24	17
Argentina	june -01	june - 05	12	(25-82)	(50-76)	19	14
Uruguay	march - 03	may - 03	1	(5-20)[4]	(90-99)	4	1
Dominican Republic	dec - 04	oct - 05	3	(1-2)	97	4	4
Serbia*	dec-00	nov-05	20	62	-	not yet	-
Dominica	dec - 03[2]	june - 04[3]	2	50	78,5	-	-
Belize	aug - 06	feb - 07	2	(1-28)	98	not yet	0
Grenada	01/10/2004[1]	nov - 05	3	(40-45)	91	not yet	-
Jamaica	feb-10	feb-10	0	20	99	4	0

[*] Serbia and Montenegro.
[1] The offer was launched in September 2005.
[2] The formal debt exchange offer was made in April 2004.
[3] The exchange offer formally closed in June 2004, but the deal was not completed until 2007 due to discussions with hold out creditors.
[4] Some minor bonds carried a higher haircut (Sturzenegger and Zettelmeyer, 2005).
[5] The duration was only 12 days (announcement 14 february and completion 26 february)

SOURCES: Erce and Diaz-Cassou (2010), Diaz-Cassou and Erce (2008a), Diaz-Cassou and Erce (2008b), IMF (2003), IMF (2006), national sources, Articles IV (various issues), Moody's, Owen and Robinson (2003), Sturzenegger and Zettelmeyer (2007), S&P, Datastream Thomson Reuters, Dealogic and authors' calculations.

On the other hand, Table 3 shows that "haircuts", measured in NPV terms, were larger in post-default restructurings than in the pre-emptive cases: on average 49% against 24%.[16] Furthermore, the share of debt affected by the restructuring both to GDP and to total debt was also higher in the post-default cases, implying that the extent of debt relief was significantly larger for defaulters. Indeed, in pre-emptive cases the liquidity relief is felt only after the debt exchange. Instead, in post default cases the completion of the exchange has the opposite effect, as it coincides with the resumption of debt servicing.[17] Thus, defaulters may have a financial incentive to delay the agreement and search for harsher restructuring terms, while non-defaulters' best interest lies in reaching a quick agreement, which may come at the expense of lower debt relief.

The act of defaulting seems to alter the bargaining power in favour of the sovereign debtor.[18] The shift in bargaining power entailed by the act of defaulting is illustrated in Chart 1, where restructurings are ordered according to the authorities' degree of coerciveness. A comparison between the restructurings in Argentina and Uruguay is particularly illustrative: while the former took all its time to launch the debt exchange and impose large losses on bondholders, the latter followed a market-friendly approach, securing a fast settlement with moderate losses for investors.

[16] Trebesch and Cruces (2011) also find that the higher the NPV imposed the longer the delay until market access was recovered. Post default cases are characterized by larger haircuts and spells out of the market. This helps qualifying the results in Trebesch and Cruces.

[17] As illustrated by the Argentine case, delays in the settlement of a default can generate substantial savings in foregone interest payments.

[18] Benjamin and Wright (2009) show that changes in debtor bargaining power affect the speed of debt settlement.

Chart 1: degree of coerciveness of pre-emptive vs. post-default restructurings

Degree of coerciveness ↑

Argentina, 2005 Global Bond Restructuring	(Post-default)
Russia, 1998-1999 Domestic Restructuring	(Post-default)
Ecuador, 2000 Bond Restructuring	(Post-default)
Argentina, 2001 Domestic Restructuring	(Pre-emptive)
Russia, 1998-1999 Foreign Restructuring	(Post-default)
Pakistan, 1999 Bonded Debt Restructuring	(Pre-emptive)
Dominican Republic, 2005 Bonded Debt Restructuring	(Pre-emptive)
Ukraine, 2000, Comprehensive Restructuring	(Pre-emptive)
Ukraine 1999, ING & Merryl Lynch debt workouts	(Pre-emptive)
Argentina, 2001 Mega-swap	(Pre-emptive)
Uruguay, 2003 Bond Exchange	(Pre-emptive)

Source: Henrik Enderlein, L Muller & C. Trebesh (2007)

These differences underline a strategic component on the decision to default associated with the existence of a trade-off between greater debt relief and a quicker access to international financial markets. Ultimately, it is difficult to determine which category of restructurings had a better outcome. If the restoration of debt sustainability is taken as the main parameter to assess the outcomes of the restructurings, our case studies yield ambiguous results. Indeed, the two cases in which debt sustainability was more questioned following the restructuring were Argentina and Uruguay, which constitute to some extent the epitomes of our post-default and pre-emptive cases. Although post-default cases were associated with larger troughs, comparing the evolution of post-restructuring GDP growth in pre-emptive and post-default cases also yields inconclusive results.

Inter-Creditor Equity: partial vs. comprehensive debt restructurings

The next distinction refers to whether the sovereign adopted a partial or a comprehensive debt restructuring strategy. Under the first approach, the sovereign focalized the restructuring in specific debt instruments. According to Erce and Diaz-Cassou (2010), this was the case when liquidity pressures were mostly generated by these specific debt instruments, or when the sovereign tried to ring-fence certain categories of debt in order to limit the disruption caused by the restructuring. Conversely, when the sovereign opted for a more comprehensive approach the main categories of debt were involved in the restructuring (with the exception of multilateral obligations given their preferred creditor status of the IMF). This is more likely to occur when liquidity pressures are widespread, so that restoring debt sustainability requires the involvement of most creditors, or when the sovereign wants to preserve some level of inter-creditor equity. Furthermore, the authorities have a "jurisdictional" advantage when dealing with domestic instruments, implying less disruptive litigations for the sovereign when involving domestic debt.

TABLE 4 - KEY FEATURES OF RESTRUCTURINGS. AGENTS INVOLVED

	1998	*1999*	*1998*	*1999*	*2001*	*2003*	*2004*	*2000*	*2004**	*2004*	*2006*	*2010*
	Russia	**Pakistan**	**Ukraine**	**Ecuador**	**Argentina**	**Uruguay**	**Dom. Rep.**	**Serbia[1]**	**Dominica**	**Grenada**	**Belize**	**Jamaica**
Default on external private debt	n[2]	n	n[3]	y	y	n	n	y	y	y	n[5]	n
Default on foreign currency bond debt	n[2]	n	n	y	y	n	n	n	n[4]	y	n[5]	n
Default on foreign currency bank debt	n[2]	n	n	y	y	n	n	y	y	y	n	n
Default on domestic private debt	y	n	n	y	y	n	n	y	n	y	n	n
Default on official debt	y	y	n[3]	y	y	n	y	y	n	y	n	n
External debt restructuring	y	y	y	y	y	y	y	y	y	y	y	n
Foreign currency bond debt restructuring	y	y	y	y	y	y	y	n	y	y	y	n
Foreign currency bank debt restructuring	y (1997)	y	y	n	y	n	y	y	y	y	y	n
Domestic debt restructuring	y	n[6]	y	y	y	y	n	n	y	y	n	y
Official debt restructuring	y	y	y	y	y	n	y	y	y	y	n	n

* We consider 2004 as the year of the restructuring t even if the debt exchange offer was launched in December of the previous year.
[1] Serbia and Montenegro.
[2] Russia defaulted on Soviet era debt (MinFin and PRINS/IANs)
[3] Ukraine was in default for a short period.
[4] Although this was a pre-emptive restructuring, arrears were accumulated in 2 bonds in legal dispute
[5] Two bond payments were suspended in December 2006
[6] No domestically issued debt instrument was restructured but one third of the bonds exchanged in late 1999 were held by residents.

SOURCES: Erce and Diaz-Cassou (2010), Diaz-Cassou and Erce (2008a), Diaz-Cassou and Erce (2008b), IMF (2003), IMF (2006), Moody's, Owen and Robinson (2003), Sturzenegger and Zettelmeyer (2007), S&P, WDI and authors' calculations.

Table 4 summarizes what instruments were restructured in each episode. Although in many events the country did finally include most debt instruments, many of our cases featured some degree of selectiveness at some point. In turn, the table below discusses the outcome depending on the strategy followed.

	NPV loss (%)	Participation i	Duration (quarters)	1st int'l bond issuance (quarters)	EMBI Global below 1000 p.b.	time to GDP as t-1
Comprehensive	42	88	6	4	1	4
Partial	34	91	7	15	9	6
Falied partial	38	84	10	20	15	8

Comprehensive group includes Grenada, Dominica, Uruguay and Serbia. Partial includes Argentina, Ecuador, Russia, Ukraine, Jamaica, Belize and Pakistan. Falied partial group includes Argentina, Ukraine and Ecuador.

During the early stages of the debt crisis, this selective approach was particularly discernible in Argentina, Jamaica and Russia. The cases of Argentina and Russia illustrate the risk posed by financial engineering operations designed to bridge liquidity pressures at times of heightened vulnerability. In Jamaica, the focus on domestic debt and domestic creditors did not trigger strong financial problems.[19] In Argentina and Russia, the authorities tried to alleviate short-term liquidity pressures through voluntary debt exchanges: the so-called June 2001 mega-swap in Argentina, and the July 1998 exchange of rouble denominated debt for Eurobonds in Russia. Eventually, both attempts not only failed avoid a broader restructuring, but were counter-productive. Indeed, although the Argentine US$29.5 billion mega-swap involved a debt relief of about US$15 billion for the period 2001-2005, it increased debt repayments after 2006 by as much as US$65 billion. In turn, the low participation in the Russian debt exchange (US$4.4 billion of a total eligible debt of US$41 billion) is considered to have acted as a wakeup call, fuelling investors' concerns and further feeding upward pressures on spreads. After these attempts to bridge liquidity pressures failed, the authorities of both countries were forced to broaden the scope of the restructuring. Russia, however, managed to stick to a selective approach and limited the default to domestically issued bonds while remaining current on most internationally issued debt, with the exception of obligations inherited from the Soviet Union. In Argentina, the authorities tried to discriminate between various categories of creditors by phasing the restructuring: in phase I debt held by residents was exchanged for loans, and a phase II was designed to restructure debt held by non residents. Eventually, however, Argentina defaulted soon after completing phase I, and the restructuring was disorderly broadened to encompass most of its sovereign debt, reducing the government's room for manoeuvre to discriminate between creditors.

On the opposite side, at the outset of their respective debt crises, Dominican Republic, Ecuador and Ukraine also tried to limit the scope of their restructurings to specific categories of debt. Originally, Ecuador suspended coupon payments only on its PDI and Discount Brady bonds and tried to persuade investors to limit the restructuring to that type of debt. Eventually, however, Ecuador also defaulted on its Eurobonds and was forced to carry out a comprehensive restructuring which involved some categories of domestic and bilateral official debt. In Ukraine, as mentioned above, the authorities carried out a wave of selective restructurings during 1998 and 1999 involving specific domestic and foreign bonds as well as loans. This, however, simply postponed the problem and Ukraine was forced to launch a comprehensive restructuring of its international bonds as early as February 2000. In turn, Grenada, Uruguay and Dominica stand out as being cases in which the authorities went at great length to preserve a market-friendly approach during the restructuring process. To some extent, this was aimed at differentiating the restructurings from the disorderly Argentine default. One of the manifestations of this market friendly approach was the absence of discriminatory practices between types of creditors.

In order to learn more about the degree of inter-creditor equity in each of our episodes, Chart 2 compares the ex-ante structure of sovereign debt at the outset of the restructuring with the relative weight of the various types of debt ultimately involved in the restructuring, and the ex post structure of sovereign debt. In principle, cases where the relative weights of restructured debt are

[19] It should be note, however, that Jamaica has been forced into a new program and a new restructuring episode recently.

similar to the ex-ante structure of sovereign debt should associate with a more comprehensive approach.

According to the Chart, the most comprehensive restructurings occurred in Dominica and Uruguay and, to a lesser extent in Grenada and Ecuador.[20] In Uruguay, creditors shared the burden of the restructuring quite proportionally to the ex-ante structure of sovereign debt, which tends to signal a rather comprehensive approach. However, even in that case, international loans were spared from the restructuring, presumably because they were a relatively minor component of total debt. In spite of the selective approach described above, the Argentine debt restructuring, together with the Dominican one, can be labelled as intermediate cases in terms of their comprehensiveness. In turn, the restructurings in Jamaica, Ecuador, Pakistan, Russia and Belize were rather selective, including either only domestic instruments or international instruments. In the case of Russia this was partly due to the weight of Soviet era debt in the restructuring, and to the fact that the default was limited to domestically issued debt. In Ecuador, Pakistan and Belize, the selectiveness in the restructuring arises mainly because, to varying degrees, domestic creditors were spared from the restructuring. In Jamaica, which was engaged in an IMF program at the time, the focus was placed on domestically issued debt.

Residence-based breaches in inter-creditor equity: domestic vs. external creditors

Beyond the legal origin of the claims involved in a restructuring, the nationality of the investors holding the claims on the public sector has often been of great importance. Indeed, various recent episodes have featured a well differentiated involvement of foreign and domestic creditors in the crisis resolution strategy.[21] This was the case especially for Argentina, Jamaica, Dominica, Russia and Uruguay, and less so for Ukraine. In the cases of the Ecuador, Dominican Republic, Pakistan and Ukraine, domestic debt was either a minor component of sovereign debt, or was mostly spared from the restructuring. Financial globalization makes it increasingly difficult to align domestic and external debt with domestic and foreign creditors. While the jurisdiction of issuance has lost relevance as an indicator of creditors' nationality, domestic creditors have certain features that deserve special attention. These features of domestic creditors pose significant trade-offs for the authorities regarding the restructuring strategy ultimately chosen, as they create incentives to discriminate between resident and non-resident creditors.

First of all, residents are by definition subject to the domestic legal and regulatory framework, implying that the sovereign has more tools to encourage or even coerce their participation in a debt exchange and to make litigation less disruptive. Second, if the sovereign remains current on its obligations with external creditors while imposing a restructuring on domestic debt, it might retain some degree of access to international financial markets, especially if investors believe in the authorities' commitment and capacity to discriminate between types of creditors. Third, the restructuring of debt held by residents has a direct impact on the domestic economy, adding up to the burden already caused by the adjustment process triggered by the crisis. Furthermore, a large portion of the sovereign debt held domestically is often in the hands of banks and institutional investors such as pension funds. As a result, restructuring domestic debt can have a very negative impact on the solvency of the domestic financial system. On the asset side, the "haircut" constitutes a direct loss for financial institutions. On the liability side the restructuring can trigger a confidence loss and large scale deposit withdrawals.[22] Finally, political economy considerations could be at play, as residents may be more able to influence the sovereign's decision making process than foreigners.

[20] As explained before, Argentina and Ecuador featured various restructuring rounds to finally include most debt categories.
[21] See Erce and Diaz-Cassou (2010) for analyses on the difference in treatment of resident and foreign creditors.
[22] See Balteanu and Erce (2001) for evidence on this channel.

I find both types of discriminatory strategies. In Ecuador, and Belize, the terms of the restructuring were worse for non-residents, presumably in order to mitigate the impact of the restructuring on the domestic economy. In the cases of Argentina, Ukraine and Russia, however, the direction of this discrimination is ambiguous. In Argentina, during the pre-default phase of the crisis, the authorities went at great length to involve domestic creditors and even carried out a semi-coercive restructuring of debt held by residents which has often been equated to a domestic default. In this way, Argentina *gambled for resurrection* in an attempt to save the convertibility regime and to avoid external default. Once that strategy failed, the authorities focused restructuring external debt, although a substantial number of residents were ultimately also involved in the default. In Russia, the government defaulted on domestically issued debt while remaining current on post-Soviet debt issued abroad. This was mainly due to the fact that liquidity pressures stemmed mostly from the domestic market, although avoiding international litigation and mitigating the loss of access to international financial markets likely played a role. The non-residents that were caught in the restructuring of GKOs and OFZs, however, suffered worse terms, given that on top of the restructuring, they faced controls restricting the repatriation of cash proceeds**.** In Jamaica, the restructuring focused on domestically issued debt which was for the most in the balance sheet of local banks.[23] Table below present the outcome depending on the treatment of residents vis-a-vis foreigners.

	NPV loss (%)	Participation i	Duration (quarters)	1st int'l bond issuance (quarters)	EMBI Global below 1000 p.b.	time to GDP as t-1
Favour residents	19	98	5	15	8	1
Favour foreigners	44	83	7	11	8	9
Neutral	40	89	7	10	7	5

Favour residents group includes Belize, Dominican Republic, Ecuador and Pakistan. Favour foreigners includes Argentina, Russia and Jamaica. Neutral countries are Uruguay, Dominica, Grenada, Ukraine and Serbia.

Although our evidence is limited, some patterns regarding the involvement of domestic creditors emerge. The cases of Argentina, Jamaica and Russia suggest that prior to an external default domestic investors are more likely to be coerced into further accumulating sovereign debt or accepting some debt relief in order to provide the sovereign with breathing space to service external debt. However, once the sovereign has defaulted on foreign debt, as occurred in Argentina and Ecuador, non-residents tend to bear the restructuring's burden in order to soften the impact of the crisis on the domestic economy. The state of the financial sector is likely to play a role in this sequencing. Indeed, the Argentine banking sector was perceived to be in a relatively good footing prior to the default, which may have led to an underestimation of the risks associated with further increasing banks' holdings of sovereign debt. Instead, in Ecuador and the Dominican Republic, a banking crisis originated the crisis, which probably encouraged the authorities to limit domestic banks' involvement in the restructuring. In Belize the amount of domestic debt was minor and external debt was mostly held by foreigners. In Russia, a low level of financial intermediation together with the public ownership of the main banks (and the ensuing implicit sovereign guarantee on deposits) may have reduced the perceived impact of the restructuring on the economy, thereby explaining its domestic bias. In Jamaica, the importance of foreign capital helps explain why the Government preferred to restructure domestic debt, which were mostly held by domestic banks.

Official debt

A very specific scenario arises when the authorities restructure bilateral official debt. In such circumstances, an agreement with the Paris Club (PC) is sought. An important condition usually attached to PC arrangements is the so-called comparability of treatment clause, which commits the sovereign to secure debt relief from private creditors on a similar scale as that granted by

[23] Interestingly, the Government was forced into a new restructuring in 2013. This time they took an even more discriminatory approach and focused only on domestically issued debt in the hands of residents.

official creditors. As a result, when an agreement with the PC is reached, the scope for a subsequent selective approach is reduced. The Dominican Republic and Pakistan can be said to be in this scenario. While in the Dominican Republic the amount of bonded debt eventually involved in the restructuring significantly exceeded the volume of the PC treatment, in Pakistan private external debt was marginal, and its restructuring had a minor impact on the restoration of debt sustainability (see Chart 2).[24]

TABLE 5 - PARIS CLUB INVOLVEMENT

	Restructuring			Paris Club agreement		
	Announcement /default date	Completion	Duration (quarters)	Date of agreement	Amount (USD mn)	Amount (% total public debt)
Russia	aug - 98	aug - 00	8	1/08/1999	8047	4,6
Pakistan	may - 99	dec - 01	11	30/01/1999	3254	5,6
				23/01/2001	1752	2,2
				13/12/2001	12444	15,7
Ukraine	aug - 98	july - 01	12	13/07/2001	578	3,9
Ecuador	sept - 99	end -00	5	19/04/1999	880	6,5
Argentina	june -01	june - 05	12	-		
Uruguay	march - 03	may - 03	1	-		
Dominican Republic	dec - 04	oct - 05	3	16/04/2004	193	2,6
				21/10/2005	137	1,8
Serbia*	dec-00	nov-05	20	16/11/2001	4324	30,8
Dominica	dec - 03[2]	june - 04[3]	2	-		
Jamaica	feb-10	feb-10	1	-		
Belize	aug - 06	feb - 07	2	-		
Grenada	01/10/2004[1]	nov - 05	3	12/05/2006	116	19,0

As shown in Table 5, not all of our cases involved the Paris Club. In Uruguay, no treatment was agreed, presumably because bilateral official debt was a minor component of sovereign debt at the time of the restructuring. In Argentina, no comprehensive agreement with bilateral creditors could be reached.[25] After the early cancellation of the IMF-supported program, one of the key pre-conditions for a Paris Club treatment was no longer met. Still, other obstacles must have prevailed given that, although IMF programs were in place from January 2003 to August 2004, the opportunity to reach an agreement with the PC was not seized. Conversely, Ecuador and Ukraine signed a PC treatment after having completed their respective private debt restructurings. Ecuador signed an agreement with the Paris Club in September 2000, a few weeks after the official closure of the private debt exchange. In Ukraine, the Paris Club agreement was signed in July 2001, months after the completion of the private debt restructuring.

An important factor to consider when comparing outcomes is that the comparability of treatment principle is not reciprocal. Only if the Paris Club acts as the first mover is the sovereign committed to seek comparable treatment from private creditors. This asymmetry might pose incentives to make a strategic use of the timing of the PC involvement. Sovereigns may have an incentive to postpone PC treatments and retain their ability to discriminate among investors and types of debt or may want to meet the PC first when a broad restructuring of privately held debt is required.

The role of the IMF: Channels of influence in sovereign debt restructurings

The IMF was involved in all of our case studies but Belize through a financial program. Yet, as shown in the Appendix, the size, conditions and timing of these programs vary from case to case, with important implications for the role ultimately played by the Fund.

A first relevant distinction between the cases refers to the operational framework under which the involvement was articulated, that is, whether the LiA policy was effectively applied. Arrears with external private creditors co-existed with IMF supported programs in the cases of Argentina, Grenada, Dominican Republic, Ecuador, Russia and Ukraine. Instead, Jamaica, Uruguay and

[24] In Serbia, the PC treatment was part of a broader effort to normalize the country after the end of the war, which required a substantial debt relief in order to clear existing arrears. In this sense, the PC agreement paved the way for the London Club agreement reached in 2004.
[25] Negotiations between Argentina and the Paris Club were still on-going at the time of this writing.

Dominica were purely pre-emptive cases in which the sovereigns fully honoured their external obligations during the period under consideration. Also Belize was a pre-emptive case but, as me mentioned above, went through the entire process without resorting to the IMF. In Pakistan arrears were accumulated with official creditors and the LiA policy was never triggered.[26] In general, program-related documents rarely specify whether the LiA policy was activated, blurring the specificities of the policy.[27]

Other important aspect likely to affect the IMF's role is the starting point of its involvement. I identify two groups of countries: On the one hand, *countries with inherited programs*. On the other, there are countries with which the Fund was not engaged prior to the restructuring episode (*countries with new programs*). Regarding countries with *inherited* programs, the IMF had been involved in Argentina, Pakistan, Russia and Ukraine for several years prior to the launching of the restructuring. In Pakistan and Ukraine, this involvement was uninterrupted throughout the restructuring in spite of relatively short periods in which the programs went off-track. The Fund's involvement in Argentina and Russia was more complex. Both programs went off-track just prior to the default, and remained so during long phases of the restructuring. In Argentina, a new transitory program was approved in January 2003, later to be succeeded by a three years SBA signed in September of that same year. Eventually, however, that program was suspended in August 2004. Various factors contributed to the suspension of the Argentine program such as the limited progress with the program's structural agenda or the authorities' lack of progress with the restructuring.[28] In Russia, a new 17-months SBA was signed in July 1999, once the Novation scheme had been completed. Russia made only one purchase under that arrangement, partly as a result of slippages in the program's structural benchmarks. In 2000, after having served as a stepping-stone for the Paris Club treatment, the program was cancelled.

The *countries with new* programs include Dominica, the Dominican Republic, Grenada, Ecuador, Serbia, Jamaica and Uruguay, where no IMF program was in place prior to the eruption of the crisis. This is clearer in Ecuador and Jamaica, where the programs were approved only after their defaults had been consummated. Similarly, in Grenada both the default and the signing of the program were motivated by the devastating consequences of the hurricanes Ivan (2004) and Emily (2005).[29] Instead, in the Dominican Republic and Uruguay, the IMF stepped in to respond to unfolding financial crises but prior to the announcement of the debt restructurings. A first SBA was approved for the Dominican Republic in August 2003. It served as the basis for a Paris Club treatment, although after the first review the program went off-track. Instead, a 28-months SBA approved in January 2005 was implemented successfully. In Uruguay, a first precautionary arrangement was signed on May 2000 in order to shield the country from the risk of contagion from Argentina and Brazil. As the situation deteriorated, Uruguay was forced to use the resources committed by the Fund, and a new program was approved on May 2002. Following two augmentations, it became the largest in IMF's history if measured with respect to the size of the recipient economy.

This distinction between 'inherited' and 'new' programs is not trivial. The presence of inherited programs implies that, unless total fund's exposure increases, augmentations of existing programs or programs approved *during* the restructuring in order to succeed the inherited ones, do not provide fresh resources. This undermines the debtor-in-possession argument as a justification for IMF seniority. Furthermore, the IMF may come to be perceived as primarily concerned with

[26] Many cases also featured large domestic arrears.

[27] Furthermore, the fulfilment of the LiA's procedural requirements, even when program-related documents refer to these requirements, is brief and unarticulated.

[28] Another factor behind the suspension was the authorities' desire to avoid the IMF to interfere in the negotiation process with bondholders.

[29] See IMF (2006): "Grenada: Request for a Three-Year Arrangement Under the Poverty Reduction and Growth Facility"

safeguarding its own resources. This can undermine the Fund's legitimacy as an independent actor, limiting its ability to improve the outcome of the restructuring. This conflict of interests accentuates with large inherited programs, where the Fund may fear the consequences of an extension of the default to multilateral obligations, as in Argentina and Russia.[30]

Beyond these initial conditions, there are a number of dimensions of the Fund's involvement in sovereign debt restructurings affecting the outcome and dynamics of the episodes.

A first relevant aspect is whether the IMF exerted any discernible influence/provided incentives on the sovereigns' decision to default or restructure and on the creditors' decision to accept the exchange. This is not easy to tell given that, for obvious reasons, the discussions between the Fund and its members on such sensitive issues are not made public. However, in some cases observers believe the Fund played a significant role in the decision making process that resulted in the launching of the restructuring. This would be the case of Ecuador, Ukraine, Uruguay and Dominica, in the first case to address a clearly unsustainable situation, and in the latter cases to fill residual financing needs under the Fund supported programs.[31] Even more clearly this was the case in Jamaica, where the restructuring of domestic debt instruments was a prior condition for the signing of the corresponding IMF program. Also in Argentina and Russia, the Fund played a role in the decision to default, albeit an indirect one. In both cases, after having lost access to international financial markets, the suspension of the Fund's financial support dried up the last available significant source of foreign exchange to continue honouring sovereign debt.

As regards the provision of incentives to the parts involved in the process, the Fund has various instruments to provide such incentives. It has often tried to coordinate creditors by encouraging participation in the debt exchange. This has taken the form of a comfort letter issued by the IMF's managing director to the members of the financial community in support of the authorities' economic program and the terms of the restructuring. In some cases, the Fund has gone beyond the mere provision of its seal of approval. This was especially the case for Uruguay, Dominican Republic, Dominica and Jamaica. Indeed, in Uruguay the Managing Director made it clear that an insufficient participation in the debt exchange could lead to a suspension of the Fund's financial support and, thereby, to a much higher likelihood of a sovereign default. Indeed, the Comfort letter issued on April 22, 2003 specified that "*(…) achieving these objectives is a condition for completion of the next (third) review under Uruguay's stand-by arrangement. A successful debt exchange requires high participation to allow the program to go forward and the forthcoming review to be completed*". In Jamaica, as in the Uruguayan case, by conditioning financial support to the conclusion of a debt exchange, the IMF made it clear to investors that cooperating with the authorities was the best way forward. In turn in Dominican Republic, during the consultation process that preceded the launching of the debt exchange offer, IMF staff participated in some of the informal contacts held between the Dominican government and its largest bondholders. Additionally, the Fund's Managing Director released a letter to the members of the financial community, supporting the authorities' economic program and noting that a high participation would be crucial for the Dominican authorities to achieve its objectives (Diaz-Cassou et al., 2008).

As detailed above, the Fund has also used the good faith clause. By conditioning the Fund's financial support to the authorities' good faith, the Fund aims at creating incentives both to avoid the build up of arrears and to adopt a collaborative stance in the debt workout. However, in spite of the 2002 attempt to clarify its content, assessing compliance with the good faith criterion

[30] This partly explains why the Fund's involvement in those events was so contentious

[31] Stanley Fisher acknowledged in May 2000 having discussed with Ecuador the pros and cons of a default of, "pointing out the risks of disruptive legal challenges in case of a default and the difficulties of sustaining a viable cash position in case of staying current on debt obligations". Also the second review of Dominica's PGRF program refers to investors having agreed with both authorities and the Fund that a debt restructuring was necessary in addition to the financing provided by the Fund.

remains highly judgemental, as illustrated by the Argentine case. There, the Fund's program was not suspended on the basis of a breach of the good faith clause even if many observers (Simpson, 2006) argued that, rather than engaging in a constructive dialogue, the authorities simply presented a series of take or leave it offers clearly detrimental to creditors' interests.

An important aspect of applying more stringent conditions, such as the good faith, in the presence of arrears, is that these conditions focus on external private arrears. A recent episode illustrates well the ambiguity associated with basing the Fund's role on a distinction between domestic and foreign creditors. In June 2004, a resident bank sold a US$2.3 million claim on the government to a non-resident. Because this equated to the emergence of arrears with external creditors, in June 2006 a case was made by the new owner of the claim that the LiA policy ought to have been activated, and that the IMF should press the Uruguayan authorities to negotiate in good faith to clear that arrear. In addition, to the extent that official financing is deemed fundamental by the authorities, this might lead them to place an excessive weight on domestic adjustment, which could, in turn, affect the economic recovery.

Finally, another way in which the IMF has influence on the restructuring arises when the Paris Club opens the restructuring process, as in Dominican Republic, Pakistan and Serbia. Under this scenario, the IMF is involvement is a pre-requisite for obtaining the Paris Club treatment, and private creditors are involved later in fulfilment of the comparability of treatment clause. Although the Fund probably had little influence in the decision to renegotiate debt, it plays a pivotal role in this well established restructuring framework.

A second crucial dimension of the Fund's involvement is the setting of the resource envelope of the restructuring. This relates to the macroeconomic framework and conditionality embedded in Fund supported programs. During a restructuring, the level of domestic adjustment associated with the Fund's conditionality is unavoidably linked to the haircut on private creditors necessary to restore debt sustainability.[32] Thus, the establishment by the Fund of an adjustment path is likely to influence the negotiation between the sovereign debtor and its private creditors.

In most of the cases analyzed here, the IMF played the role of an adjustment agent through the programs approved in the context of the restructuring. Again, this was particularly clear when the Paris Club was involved early on, but it was also the case for Ecuador, Ukraine, Uruguay, Dominica, Grenada and Jamaica. Conversely, the Fund played at best a minor role in setting the resource envelope of the Argentine and Russian restructurings. In the latter case, the IMF programs were off-track when the novation scheme was carried out and when an agreement was reached with the London Club in August 2000. Instead, an on-track program was in place when official bilateral debt was restructured in August 1999. In Argentina, the program's conditionality was deliberately set in soft and short-term oriented terms: the September 2003 SBA established a floor on the primary surplus of 3% of GDP while fiscal targets for 2005 and 2006 were not even specified. Furthermore, the program was suspended in August 2004. As a result, domestic adjustment was entirely left to be determined by the bargaining process between the government and its creditors. The inherited character of the program was crucial in this dimension given that, at least to some extent, the Fund was held hostage by the Argentine threat of defaulting on its multilateral obligations, while private creditors were far from viewing the institution as an uninterested part in the restructuring process. Against this positive assessment one should take into consideration the Belizean debt restructuring. The absence of the Fund did not lead to any protracted negotiations. However, as argued before, both the benign external conditions at the

[32] The IMF has recently designed new credit lines where conditionality has an ex-ante character. These lines are not designed, however, to deal with situations which may require a sovereign debt restructuring.

time and the fact that the level of debt to be restructured was small might have helped facilitated investors accepting the Belizean deal.

Finally, there is the Fund's role as a provider of information. This dimension of the Fund's involvement is particularly relevant given the heightened uncertainty and informational asymmetries that characterize these episodes. No consistent approach seems to have characterized the Fund's involvement, as there are substantial variations in the amount of information disclosed by the Fund in the cases under consideration. This is likely due to the fact that member states have the right to preclude the Fund from disclosing certain market sensitive pieces of information. As a result, the informational role of the Fund tends to be more intense in 'market-friendly' restructurings. For instance, the Fund published most program-related documents in the cases of Dominica, Grenada, Dominican Republic or Uruguay. Instead, few documents were published in the cases of Argentina, Ecuador and Jamaica. Although references to debt sustainability are common in program-related documents, a fully-fledged debt sustainability analysis was not always provided.

Policy Lessons

An important lesson from this case-study analysis is that the flexibility under the Fund's current approach to debt restructurings can be seen as a lack of consistency. The current case by case approach has provided the Fund with flexibility to customize its crisis resolution strategies to potentially very different types of debt crises. And, while we have discerned several country specific factors shaping the Fund's approach to most of the dimensions analysed above, this lack of clarity exacerbates uncertainty and informational asymmetries, providing ground for criticism by creating the perception that creditors or debtors are treated unequally depending on the specific circumstances of each crisis. The international community, therefore, needs to decide whether the IMF should play a more standardized role in sovereign debt restructurings and, if so, in what dimensions and through which instruments.

An important obstacle to frame the Fund's role in debt restructurings is the lack of a policy or instrument designed specifically for that purpose. While very often, the Fund's programs in place during a restructuring are implemented under the LiA policy, there are significant exceptions in the context of purely pre-emptive restructurings such as Dominica's and Uruguay's, or when arrears arise only with official or domestic creditors, as was the case in Pakistan or Jamaica. Moreover, even the LiA policy fails to specify the role that the IMF is to play during sovereign defaults. Indeed, rather than a policy in the broad sense of the term, we see it as a device to legalize the Fund's lending in the presence of external private arrears, by introducing loose procedural requirements absent in 'traditional' programs. [33] This leads again to the question of whether this approach ought to be maintained or the Fund's role in these processes should be endowed with a clearer economic rationale by specifying the role to be played in various dimensions so as to contribute to improve the outcome of sovereign debt restructurings.

According to the Articles of Agreement, the IMF's firm policy is to avoid interfering with members' contractual obligations.[34] However, when a country's debt position becomes unsustainable, the IMF has a role to play in advising country authorities on the best course of action to minimize the cost of an unavoidable restructuring on domestic and international prosperity. In this respect, our case studies suggest that, as debt problems mount, countries have a tendency to *gamble for redemption* by applying partial measures in order to bridge short-term liquidity pressures. Such measures are often detrimental in the medium term, either by delaying the resolution of the crisis, increasing the burden of long-term debt, or by pushing the domestic financial system into

[33] The LiA policy also applies to minor arrears not requiring a broad-based debt restructuring. I deliberately left this scenario out.

[34] The articles of agreement establish that a crucial element of the Fund's mandate is to provide members with "*opportunities to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity*".

insolvency. The IMF, therefore, should avoid supporting such measures.[35] This may entail advising countries to adopt a comprehensive approach to restore debt sustainability at an early stage of the crisis, which may even require advising to restructure.

In the current context of financial globalization, the dividing line between domestic and external debt is becoming increasingly blurred. The Uruguayan episode where a resident bank sold a US$2.3 million claim on the government to a non-resident, who then made the case that the LiA policy ought to have been activated, and that the IMF should press the Uruguayan authorities to negotiate in good faith to clear that arrear, illustrates the ambiguity associated with basing the LiA policy in this distinction between domestic and foreign creditors. Due to this bias, the IMF might have devoted insufficient attention to the treatment of domestic creditors and its impact on the program's objectives.[36] Moreover, our analysis suggests that an extensive involvement of domestic creditors might signal a "gambling for resurrection" strategy and anticipate external solvency problems. As a result, focusing solely on external debt could delay the Fund's intervention and exacerbate the cost of the crisis, especially if the early involvement of domestic creditors jeopardizes the solvency of the domestic financial sector. Conversely, once the country has already defaulted, the Fund's focus on external debt restructuring may not be consistent with securing some degree of inter-creditor equity. Summing up, the IMF might have not paid sufficient attention to the sovereigns' shifting incentives regarding the involvement of domestic vs. external creditors during crises, hampering its potential to mitigate the impact of sovereign debt restructurings.

Similarly, the Fund's involvement also includes the provision of incentives to the parts engaged in the negotiations. An important instrument, in the case of post default restructurings, has been the good faith criterion. This instrument has exhibited important deficiencies and some observers have argued that it may be worth searching for alternative instruments to encourage constructive negotiations.[37] A less radical possibility could be to further clarify it by introducing objective and observable parameters to evaluate the sovereign's good faith. The *Principles for Stable Capital Flows and Fair Debt Restructurings* could be used, although the Fund has shown reluctance to incorporate the principles in its own internal operative.[38] In any case, the principles could be the basis of a more substantive guidance for the assessment of the good faith criterion. In particular, the IMF should focus on securing some level of inter-creditor equity, trying to avoid unjustified discriminatory practices. This could be shaped along the lines of the Paris Club comparability of treatment clause, which has contributed to restrain discrimination and secure some level of equitable burden-sharing in past restructurings. The issue of inter-creditor equity has a very specific meaning in the current framework, as this ignores arrears to private domestic creditors.

A related question is whether a single policy should encompass the role of the IMF in *all* restructurings, and not only in those where the sovereign has private external arrears, as the LiA does now. Pre-emptive restructurings are conducted under the threat of default, blurring the distinction with the post-default scenario[39]. Furthermore, the dimensions of the Fund's involvement that we have identified could apply both to pre-emptive and post-default cases. Indeed, the Fund's advice on the best course of action to restore debt sustainability as well as its role as an adjustment agent and provider of information and incentives were equally relevant in both

[35] The Argentine mega swap, the Ukrainian piece-meal approach or the Russian pre-default debt swap are example of such measures.

[36] Erce (2013), using data on public payment delays and WEO's forecast errors, shows that public arrears depress output and employment

[37] A possibility, put forward by Bedford and Irwin (2008), could be to substitute the good faith criterion with price incentives, i.e. introducing a surcharge on LiA programs. According to them this would provide Governments with an incentive to engage early in a constructive dialogue. It may be difficult, however, to legitimize a surcharge when private creditors are being asked to absorb losses.

[38] Indeed, there are some differences between current Fund's policies and some aspects of the Principles such as the use of the creditor committees (see Progress Report on Crisis Resolution, SM/05/107).

[39] In Uruguay the IMF made the completion of the third program review conditional to a high participation in the exchange. It was quite clear at that point that a suspension of the Fund's financial support would have almost unavoidably resulted in a default. In Jamaica it was a PA.

scenarios. In this context, it is arguable whether the presence of external arrears to private creditors has more of an economic justification as a trigger of a specific IMF policy than a pre-emptive broad-based revision of the sovereign's debt terms.

As regards the Fund's provision of a 'resource envelope' through the macroeconomic framework and conditionality embedded in its programs. Some observers have argued that the Fund should restrain from fulfilling that function in order not to interfere with the negotiations between the sovereign and its creditors. They consider that asking the IMF to set the resource envelope of the debt workout is inconsistent with a market-based approach to handle sovereign restructurings.

Beyond the Belizean case, our case studies suggest that sovereign debt restructurings tend to be smoother when the Fund retains its role as an adjustment agent, especially if the Paris Club was involved at an early stage. In turn, the most disruptive and contentious restructurings analyzed here have been precisely those in which the IMF did not act as an adjustment agent. There is ground to argue, therefore, that the provision of a macroeconomic framework to anchor expectations does promote a constructive dialogue between the sovereign and its creditors. In any case, this is one of the dimensions where consistency is most needed. [40]

An additional dimension is the informational role of the IMF. Information has public good features, implying that the private sector is likely to devote a sub-optimal volume of resources to it, especially in a world of securitized debt where individual bondholders are unlikely to have resources and know-how to carry out debt sustainability analyses (DSAs).[41]

As argued above, the amount of information disclosed by the Fund has varied substantially from case to case. In fact, the IMF has often restrained from systematically disclosing full-fledged DSA of countries engaged in a debt restructuring. A possibility to systematize the informational role of the Fund could be precisely that of requiring the institution to provide a DSA to the parts involved. While this may conflict with the Fund's transparency policy, under which publication of the DSA is voluntary and a prerogative of the member, the very specific scenario posed by sovereign debt restructuring processes could constitute an exception to that rule. Countries could be required to accept the divulgation of their DSA as proof of their 'good faith'.[42] Our analysis has also revealed that large 'inherited' programs can impair the Fund's potential to play a substantive role in restructuring processes. Indeed, the Fund's ex ante financial exposure to the countries that launch a restructuring can create a conflict of interests, which increases with the size of the program. A modest ex ante financial exposure may facilitate the ex-post Fund's involvement by providing enhanced country-knowledge and a degree of continuity to the program relation. However, if exceptionally large, inherited programs can invalidate the debtor-in-possession argument justifying the provision of official finance and jeopardize the Fund's legitimacy as an adjustment agent and provider of information and incentives.

A possibility would be to automatically suspend 'inherited' programs. The member would lose access to undisbursed resources, and would not be expected to make repurchases until the resumption of private debt servicing. After the suspension of the program, the Fund could approve a new 'interim' program providing new resources. Although the legal implications would need to be discussed in great detail, this could have various advantages. First, rather than simply rolling-over 'inherited' obligations, new programs would provide 'fresh' resources to mitigate the economic

[40] Moreover, defining a macroeconomic adjustment path need not be detrimental for debtor/creditor negotiations. IMF programs define a resource envelope on the short-term, but the debt relief from the negotiations depends on a longer adjustment path. Consequently, even if the IMF sets an adjustment path, there is room for the negotiations with creditors to yield very different levels of debt relief.

[41] The IMF's comparative advantage stems from its continuous dialogue with members and its independence. In addition, in the absence of large 'inherited' programs, the Fund should be better positioned to access information if it has an on-going program with the country.

[42] The recently set up ESM in Europe, requires a DSA as part of the support request. Such DSA is public.

dislocation caused by the crisis.[43] This would reinforce the debtor-in-possession justification for the Fund's financial assistance and the Fund's leverage. The prospect of acceding additional IMF resources could realign incentives, making compliance with the programs' conditionality likelier.[44]

Such a reform, by committing the institution to provide fresh funding might have ex-ante effects. The IMF might reduce lending ex-ante as to guarantee space for providing capital when problems arise. Observed have argued, however, that the IMF tends to over lend previous to financial crises at the cost of being forced to restrain from further lending when debt problems blow up.

[43] The introduction of a standstill on purchases and repurchases of 'inherited' programs need not alter the seniority status of IMF loans because such obligations would never be made subject to a re-negotiation process. In fact, by reinforcing the DiP rationale, such a scheme could even reinforce the legitimacy of the Fund's preferred creditor status.

[44] In addition, this framework would reduce countries' scope to threaten with defaulting on their multilateral obligations in order to press for the approval of successive program reviews during a sovereign debt restructuring.

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Appendix

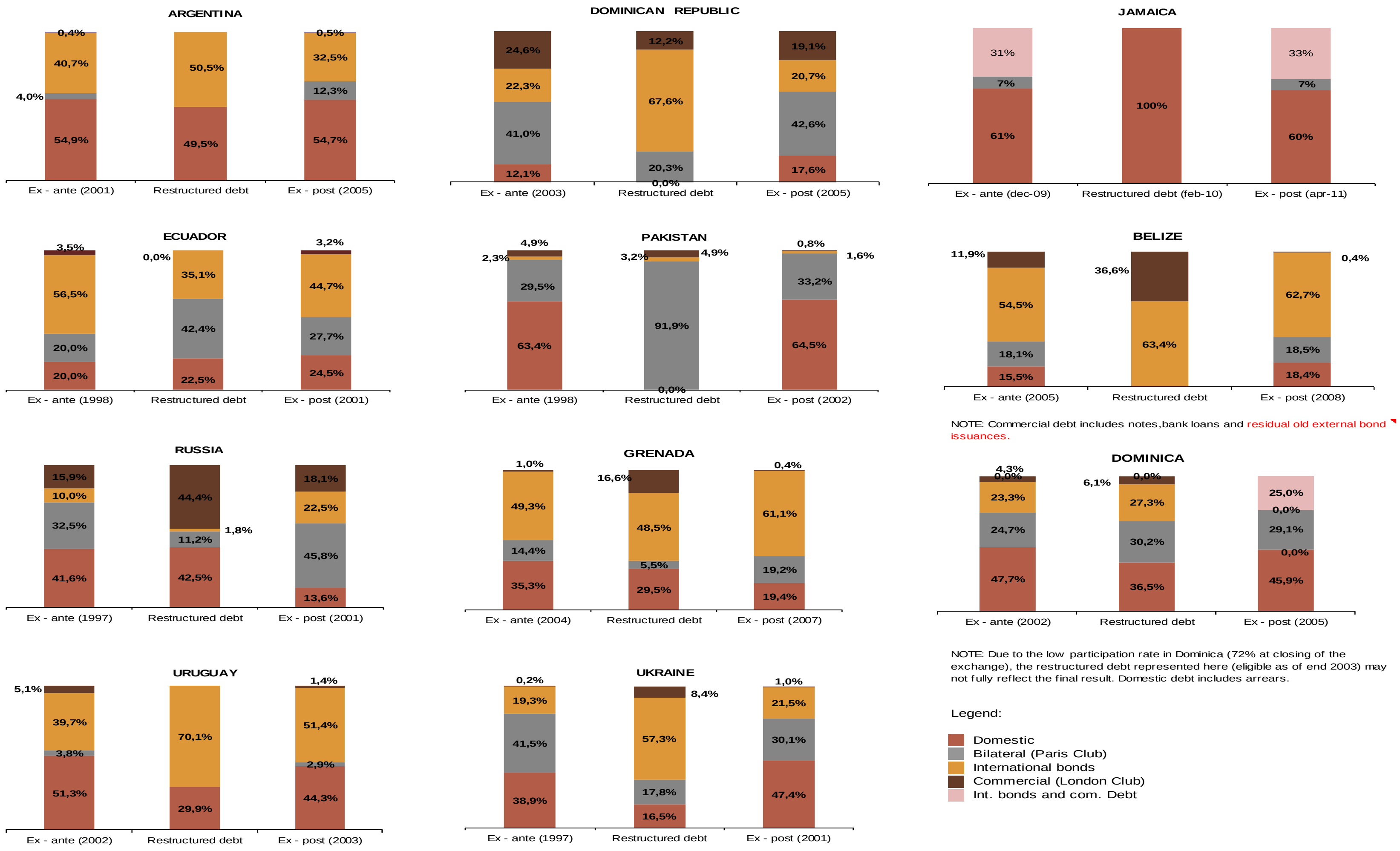
TABLE 6 - IMF INVOLVEMENT

t	*1998* **Russia**	*1999* **Pakistan**	*1998* **Ukraine**	*1999* **Ecuador**	*2001* **Argentina**	*2003* **Uruguay**	*2004* **Dominica**	*2004* **Dom. Rep.**	*2004* **Grenada**	*2006* **Belize**	*2000* **Serbia**	*2010* **Jamaica**
IMF involvement:	y	y	y	y	y	y	y	y	y	n	y	y
Last IMF program before the onset of the crisis:												
Date	20-Jul-98	20-Oct-97	25-Aug-97	-	12-Jan-01	25-Jun-02	28-Aug-02	29-Aug-03	-	-	-	4-Feb-10
Program type	SRF	ECF & EFF	SBA	-	SRF	SRF	SBA	SBA	-	-	-	SBA
Amount (USD bn)	5.3	09 & 06	0.5	-	8.0	0.2	0.004	0.6	-	-	-	1.3
First IMF Program during the crisis or up to two years after *t*:												
Date	28-Jul-99	29-Nov-00 & 6-Dec-01	4-Sep-98	19-Apr-00	24-Jan-03 & 20-Sep-03	8-Jun-05	29-Dec-03	31-Jan-05	16-Nov-04 & 17-Apr-06	-	11-June-01 & 14-May-02	-
Program type	SBA	SBA & ECF	EFF	SBA	SBA	SBA	ECF	SBA	Emergency Assistance and ECF	-	SBA & EFF	-
LiA Applied	y	n	y	y	y	n	n	y	y	-	y	-
Amount (USD bn)	4.5	0.3 & 1.3	2.6	0.3	3.0 & 12.7	1.1	0.011	0.6	0.0044 & 0.02	-	0.16 & 0.5	-

SOURCE: IMF and authors' calculations.

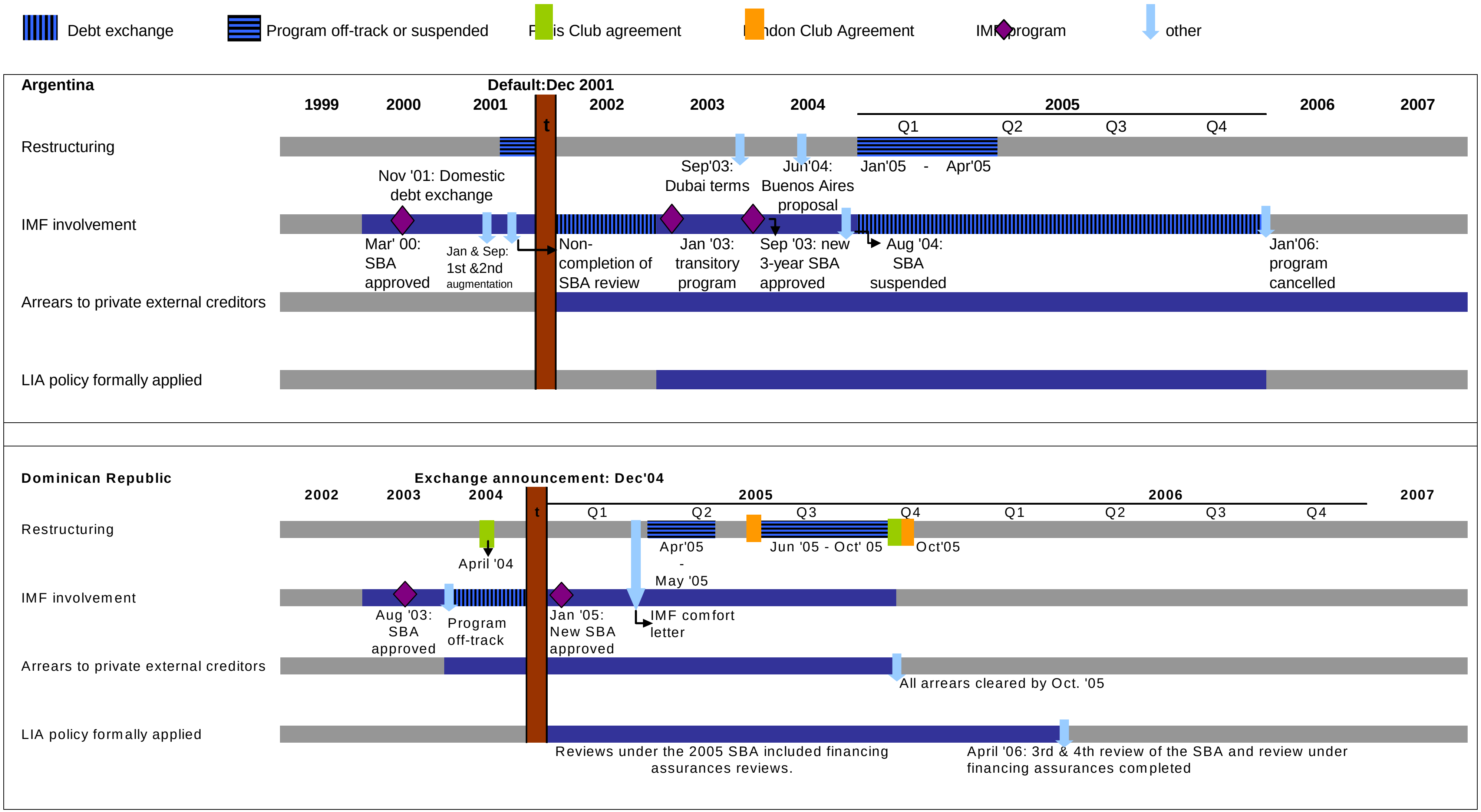
Chart 2[1]

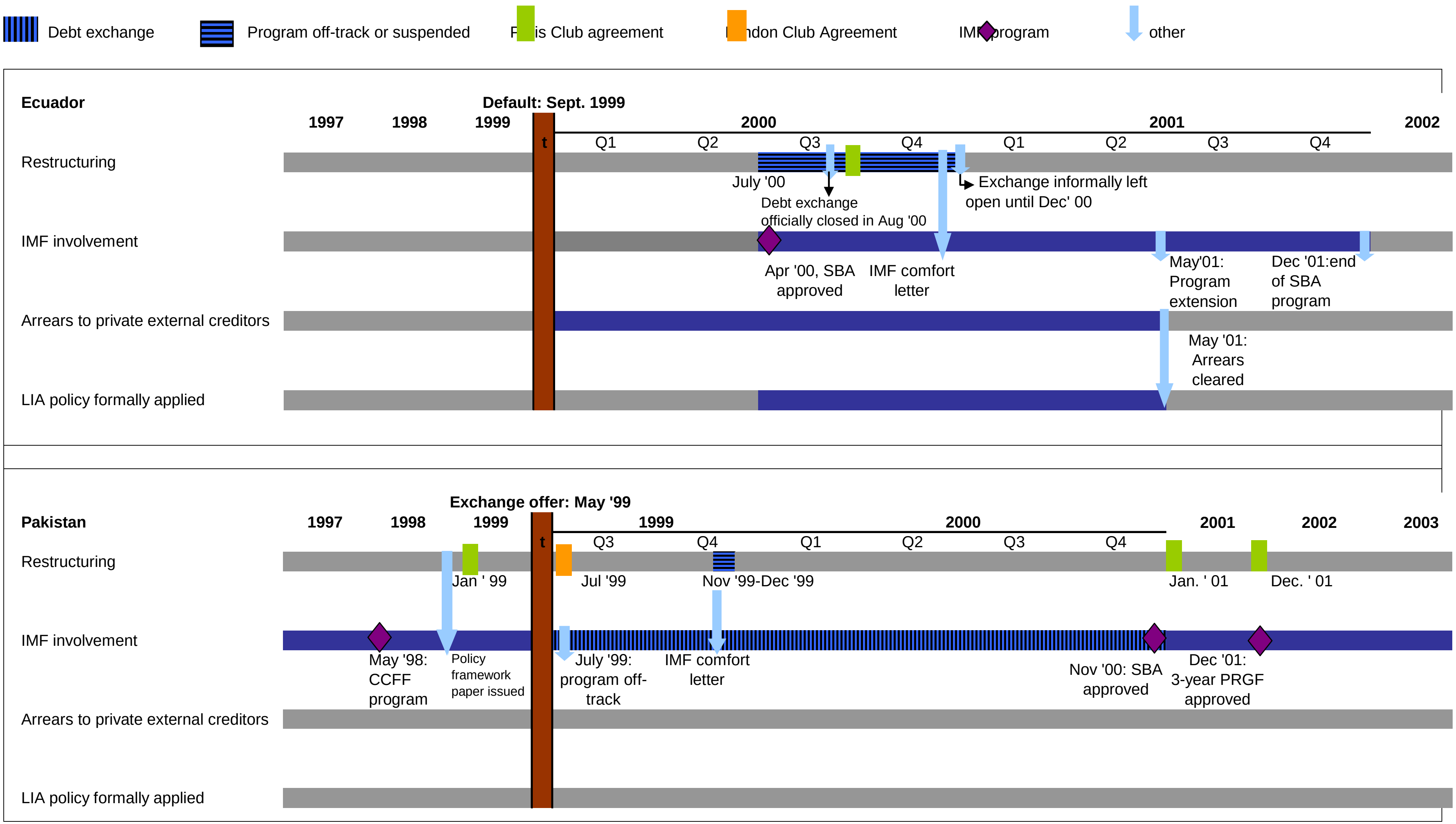
BURDEN SHARING IN SOVEREIGN DEBT RESTRUCTURINGS: WHO GETS BAILED-IN?



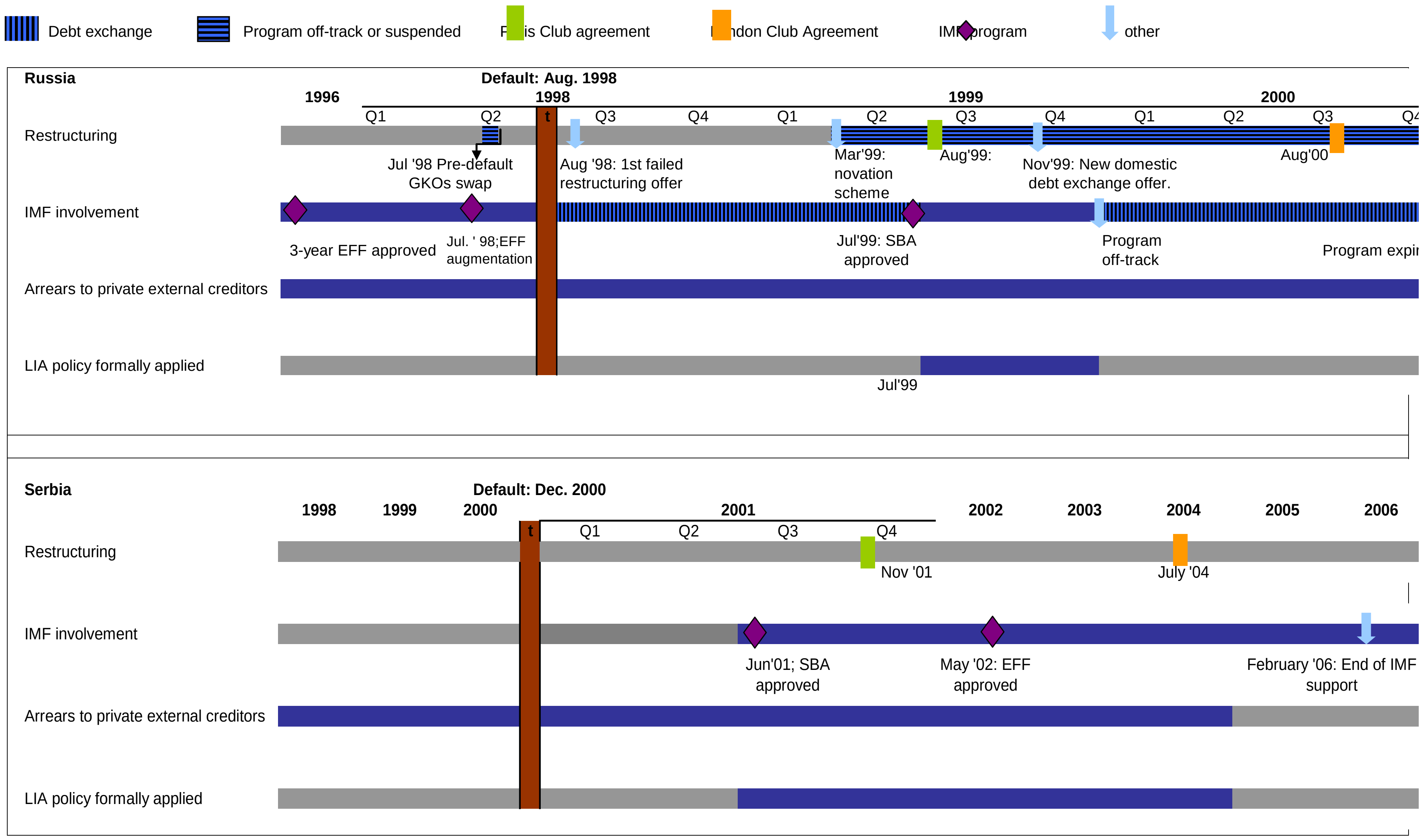
[1] Multilateral debt is excluded. These plots do not reflect NPV losses assumed by each category of creditors. Still, despite they do not fully capture the burden sharing of the restructurings, they give an idea about the comprehensiveness of the respective restructurings.

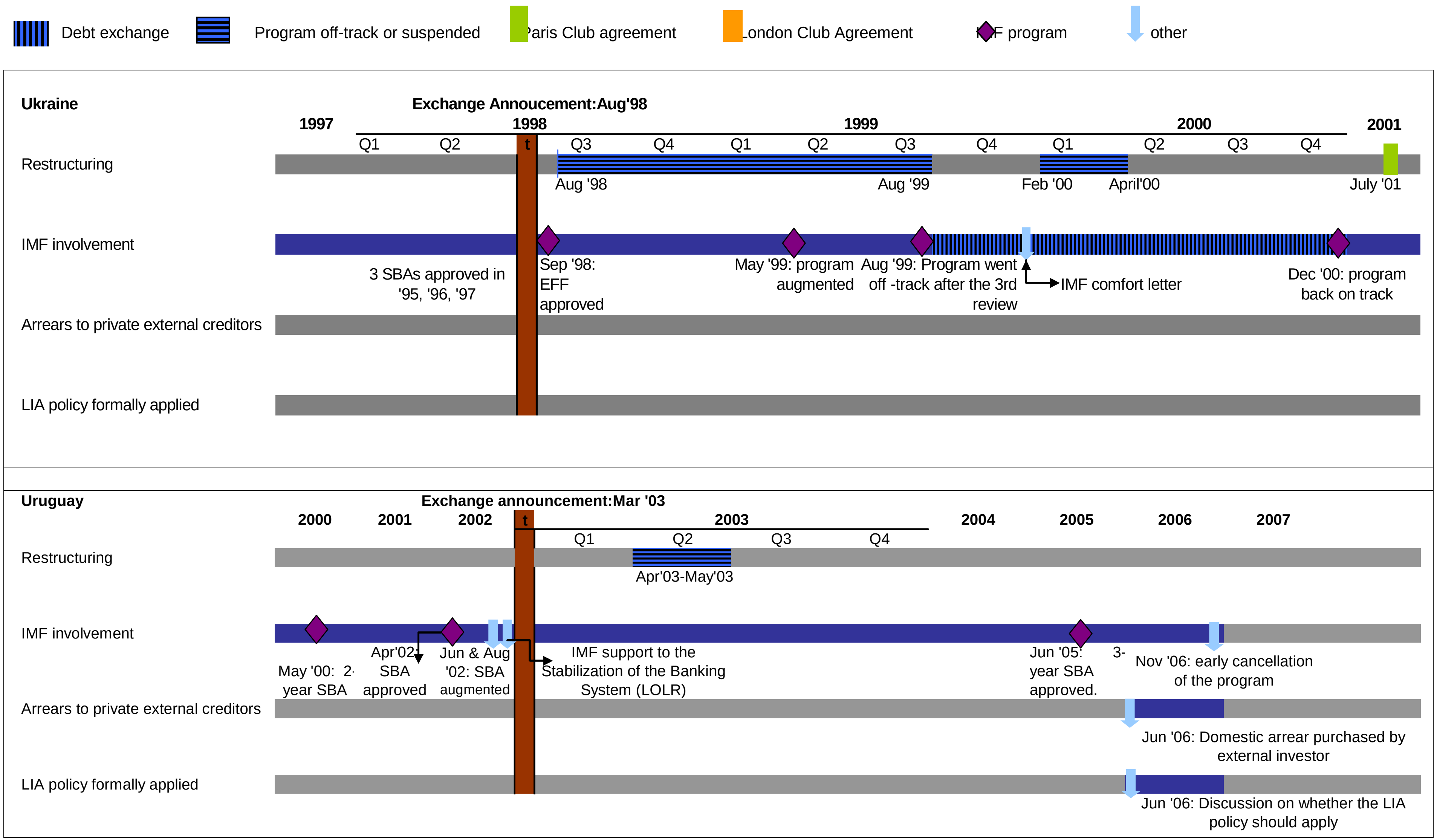
Appendix: chronology of events



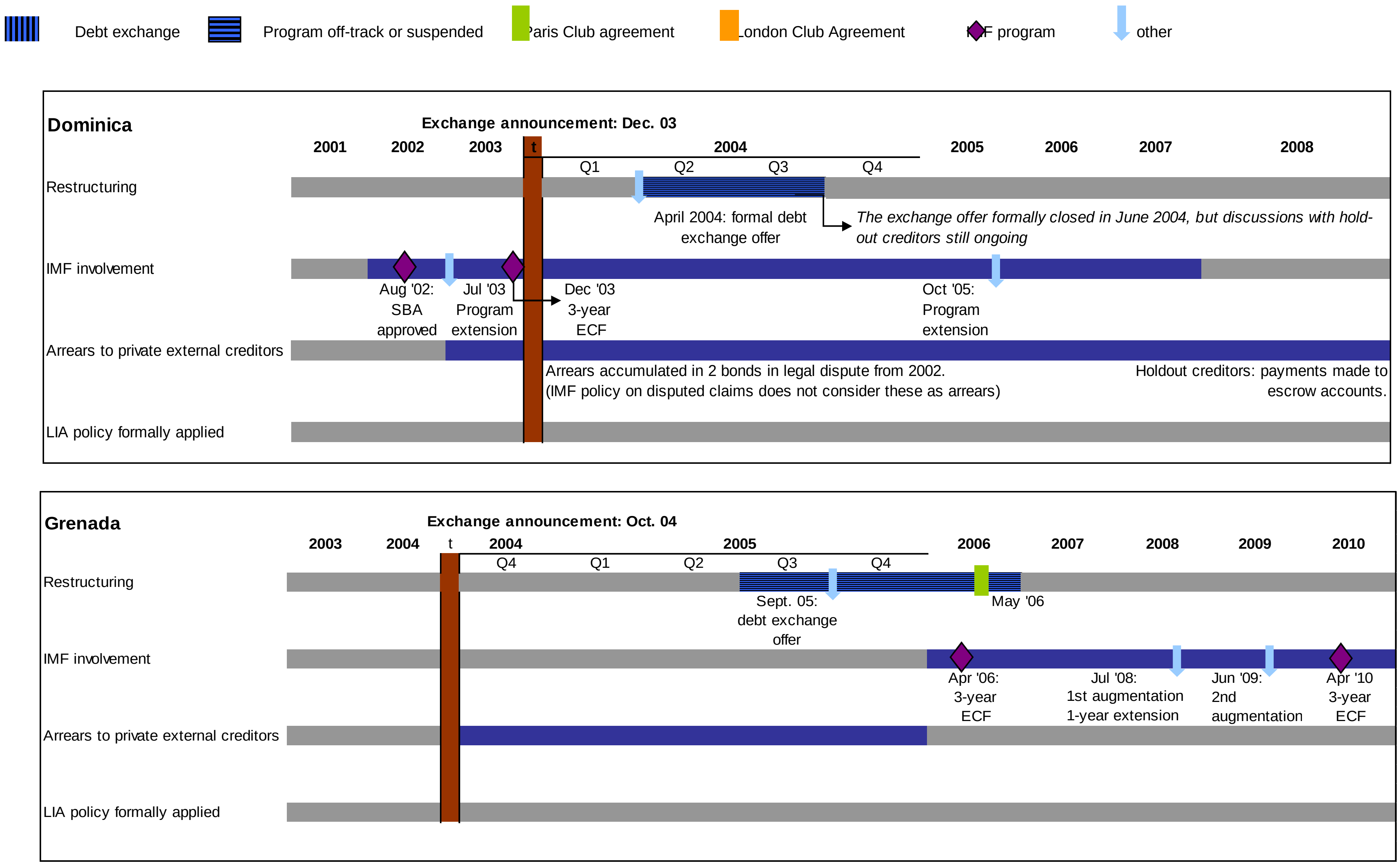


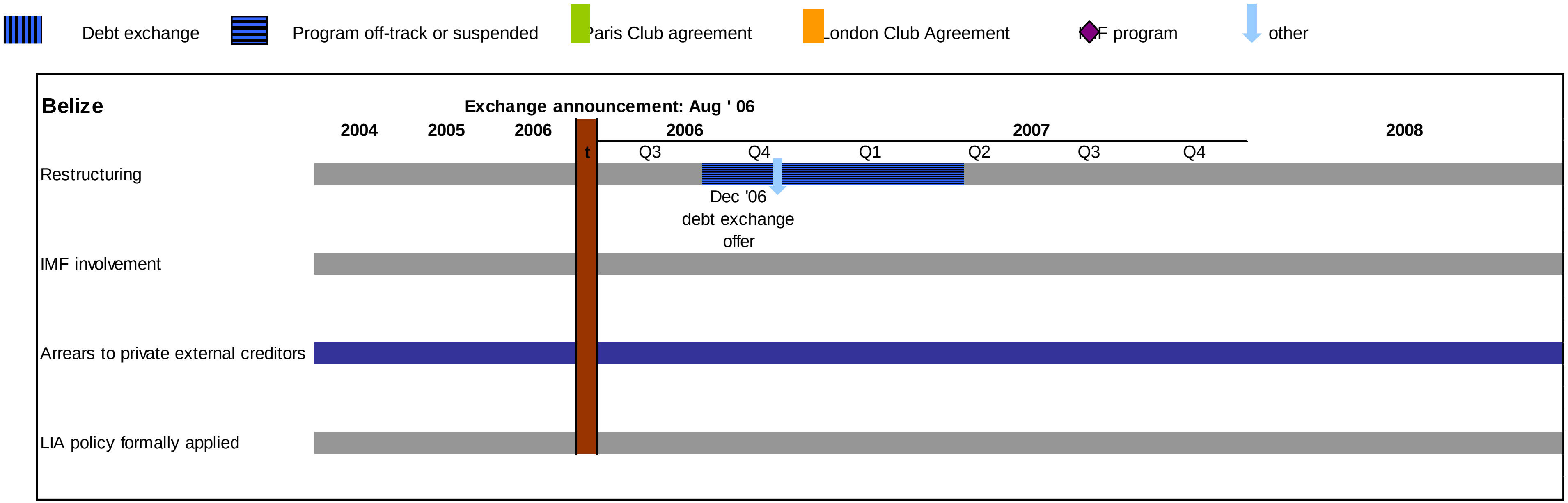
Debt exchange
Program off-track or suspended
Paris Club agreement
London Club Agreement
IMF program
other
Ecuador
Default: Sept. 1999
1997
1998
1999
2000
2001
2002
Q1
Q2
Q3
Q4
Q1
Q2
Q3
Q4
Restructuring
July '00
Debt exchange
officially closed in Aug '00
Exchange informally left
open until Dec' 00
IMF involvement
Apr '00, SBA
approved
IMF comfort
letter
May'01:
Program
extension
Dec '01:end
of SBA
program
Arrears to private external creditors
May '01:
Arrears
cleared
LIA policy formally applied
Pakistan
Exchange offer: May '99
1997
1998
1999
1999
2000
2001
2002
2003
Q3
Q4
Q1
Q2
Q3
Q4
Restructuring
Jan ' 99
Jul '99
Nov '99-Dec '99
Jan. ' 01
Dec. ' 01
IMF involvement
May '98:
CCFF
program
Policy
framework
paper issued
July '99:
program off-
track
IMF comfort
letter
Nov '00: SBA
approved
Dec '01:
3-year PRGF
approved
Arrears to private external creditors
LIA policy formally applied


Debt exchange
Program off-track or suspended
is Club agreement
ndon Club Agreement
IMF program
other
Russia
Default: Aug. 1998
1996
1998
1999
2000
Q1
Q2
Q3
Q4
Q1
Q2
Q3
Q4
Q1
Q2
Q3
Restructuring
Jul '98 Pre-default GKOs swap
Aug '98: 1st failed restructuring offer
Mar'99: novation scheme
Aug'99:
Nov'99: New domestic debt exchange offer.
Aug'00
IMF involvement
3-year EFF approved
Jul. ' 98;EFF augmentation
Jul'99: SBA approved
Program off-track
Program expi
Arrears to private external creditors
LIA policy formally applied
Jul'99
Serbia
Default: Dec. 2000
1998
1999
2000
2001
2002
2003
2004
2005
2006
Q1
Q2
Q3
Q4
Restructuring
Nov '01
July '04
IMF involvement
Jun'01; SBA approved
May '02: EFF approved
February '06: End of IMF support
Arrears to private external creditors
LIA policy formally applied



Debt exchange
Program off-track or suspended
Paris Club agreement
London Club Agreement
IMF program
other
Ukraine
Exchange Annoucement:Aug'98
1997
1998
1999
2000
2001
Q1 Q2 t Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4
Restructuring
Aug '98
Aug '99
Feb '00
April'00
July '01
IMF involvement
3 SBAs approved in '95, '96, '97
Sep '98: EFF approved
May '99: program augmented
Aug '99: Program went off -track after the 3rd review
IMF comfort letter
Dec '00: program back on track
Arrears to private external creditors
LIA policy formally applied
Uruguay
Exchange announcement:Mar '03
2000
2001
2002
t
2003
2004
2005
2006
2007
Q1 Q2 Q3 Q4
Restructuring
Apr'03-May'03
IMF involvement
May '00: 2-year SBA
Apr'02: SBA approved
Jun & Aug '02: SBA augmented
IMF support to the Stabilization of the Banking System (LOLR)
Jun '05: 3-year SBA approved.
Nov '06: early cancellation of the program
Arrears to private external creditors
Jun '06: Domestic arrear purchased by external investor
LIA policy formally applied
Jun '06: Discussion on whether the LIA policy should apply


Debt exchange
Program off-track or suspended
Paris Club agreement
London Club Agreement
IMF program
other
Dominica
Exchange announcement: Dec. 03
2001
2002
2003
t
2004
2005
2006
2007
2008
Q1
Q2
Q3
Q4
Restructuring
April 2004: formal debt exchange offer
The exchange offer formally closed in June 2004, but discussions with hold-out creditors still ongoing
IMF involvement
Aug '02: SBA approved
Jul '03 Program extension
Dec '03 3-year ECF
Oct '05: Program extension
Arrears to private external creditors
Arrears accumulated in 2 bonds in legal dispute from 2002.
(IMF policy on disputed claims does not consider these as arrears)
Holdout creditors: payments made to escrow accounts.
LIA policy formally applied
Grenada
Exchange announcement: Oct. 04
2003
2004
t
2004
2005
2006
2007
2008
2009
2010
Q4
Q1
Q2
Q3
Q4
Restructuring
Sept. 05: debt exchange offer
May '06
IMF involvement
Apr '06: 3-year ECF
Jul '08: 1st augmentation 1-year extension
Jun '09: 2nd augmentation
Apr '10 3-year ECF
Arrears to private external creditors
LIA policy formally applied



Debt exchange

Program off-track or suspended

Paris Club agreement

London Club Agreement

IMF program

Other

Key features of IMF-supported programs

		Program type	Approval	Duration	Amount (% of quota)	Comments
Argentina	Inherited programs	SBA	Mar 00	3 years	SDR 5.4 bn (255%)	Focus on fiscal conditionality. Program failed.
		1st augmentation	Jan 01	-	SDR 5.2 bn (246%)	Relaxation of fiscal targets;reviews approved despite breaches in fiscal targets;support to the mega swap
		2nd augmentation	Sep 01	-	SDR 6.3 bn (300%)	Non-completion of the fifth review;disbursements suspended after default
	Ex post involvement	Transitory program	Jan 03	7 months	SDR 2174.5 mn (103%)	Soft conditionality
		SBA	Sep 03	3 years	SDR 8.9 bn (424%)	Soft conditionality; short-term orientation of fiscal targets; suspended in August 2004
Dom. Republic	Ex post involvement	SBA	Aug 03	2 year	SDR 437.8 mn (200%)	Program failure; only first review completed
		SBA	feb-05	28 months	SDR 437.8 mn (200%)	Successful implementation
Ecuador	Ex post involvement	SBA	April 00	1 year	SDR 226.7 mn (75%)	Successful implementation
Pakistan	Inherited programs	EFF-ESAF	Oct 97	3 year	SDR 1136 mn (110%)	Program failed. Off-track in July 99.
	Ex post involvement	SBA	April 00	1 year	SDR 465mn (45% of quota)	Successful implementation
		PRGF	Dec 01	3 years	SDR 1033 mn (100%)	Successful implementation
Russia	Inherited programs	EFF	March 96	3 years	SDR 6.9 bn (160%)	Weak implementation; targets relaxed in successive reviews
		Augmentation	Jul 98	-	SDR 8.5 bll (143%)	Support to GKO swap. Program suspended after the parliament failed to approve a fiscal adjustment package.
	Ex post involvement	SBA	Jul 99	17 months	SDR 3.3 bll (56%)	Only one purchase completed; program went off-track as a result of delays in structural reforms
Serbia	Ex post involvement	SBA	Jun 01	10 months	SDR 200mn (43%)	Stepping stone for the Paris Club treatment. Successful implementation.
		EFF	May 02	3 years	SDR 650mn (139%)	Delays in the completion of the last reviews.
Ukraine	Inherited programs	SBA	Apr 96	9 months	US$ 0.97 bll (71%)	Successful implementation
		SBA	Aug 97	12 months	US$ 0.53 bll (37%)	Only partial disbursement as a result of breaches in macroeconomic conditionality.
	Ex post involvement	EFF	Sep 98	3 years	US$ 2.2 bll (165%)	Explicit support to the restructuring. Difficult implementation: program went off-track various times and was only partially disbursed.
		Augmentation	May 99	-	US$ 366 mll (20%)	
Uruguay	Inherited programs	SBA	May 00	22 months	SDR 150mn (49%)	Originally precautionary. Resources eventually disbursed due to contagion from Argentina.
		SBA	Apr 02	2 years	SDR 594mn (194%)	Tighter conditionality. Succesful progress
	Ex post involvement	1st augmentation	Jun 02	-	SDR 1.16 bn (378%)	Focus on the banking crisis.
		2nd augmentation	Aug 02	-	SDR 376 mn (123%)	3d review of the program made dependent on participation in the debt exchange.
		SBA	Jun 05	3 years	SDR 766,25mn (250%)	Satisfactory implementation.