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**HANDBOOK FOR REPORTING DEBT REORGANISATION ON THE DAC
QUESTIONNAIRE**

The "Handbook for Reporting Debt Reorganisation on the DAC Questionnaire" was approved by the DAC at its meeting of 10th-11th April, 2000. It should be used in conjunction with the "DAC Statistical Reporting Directives [DCD/DAC(2000)10].

This version corrects Annex 3, following comments by Members at that meeting.

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HANDBOOK FOR REPORTING DEBT REORGANISATION ON THE DAC QUESTIONNAIRE

INTRODUCTION

1. This handbook has been designed to complement the *DAC Statistical Reporting Directives*¹. It sets out in Annex 1 some principles to govern the reporting of debt reorganisation that were agreed at a meeting of the DAC Working Party on Statistics at its meeting on 15-16 June 1998². It is organised by type of operation rather than by DAC table. Each section gives a brief description of the relevant debt reorganisation operation, and then points the reporter to the type of data to obtain and where to include it.

2. Full reporting of debt reorganisation in the DAC reporting system entails several entries for each operation and requires the following detailed information about the transactions undertaken.

- Type of reorganisation;
- The DAC category (here called “sector”) of the debt prior to reorganisation - ODA, OOF or private;
- The breakdown of the amount into principal and interest.

Type of reorganisation

3. The reporting of debt reorganisation varies by type of operation. Therefore, this handbook is divided into sections that give instructions for each type of operation. The user should identify the appropriate operation and turn to the relevant section for reporting instructions.

DAC sector of debt prior to reorganisation

4. There are three DAC sectors for flows - ODA, OOF and Private. The reporting of debt reorganisation depends on the sector concerned. ODA covers concessional loans for development purposes. OOF covers official export credits and other official loans that do not qualify as aid. Private includes officially guaranteed or insured export credits which have been lent by the private sector. Once private debt is rescheduled by the official sector it is reclassified as OOF, for example, officially rescheduled export credits originally lent by the private sector.

1. DCD/DAC(2000)10

2. DCD/DAC/STAT/M(98)1

Data input

5. In most sections of this handbook there is a figure showing the data required for the operation concerned. The data to be included in the DAC table are shown in bold type (e.g. **A1, A2**). References in normal type (e.g. A1, B2) are included for completeness, as data items required to calculate the entries.

6. The instructions refer to the row (line and code), column and DAC table in which to include the data. The term 'include' is used because cell entries are the sum of all items relevant to that cell. Current year refers to the year in which the transaction took place.

Offsetting entries

7. Debt reorganisation often involves a transfer between DAC sectors (ODA, OOF, private). In such cases it is necessary to make offsetting entries to cancel the disbursements in the original sector and so avoid double-counting.

I. DEBT CANCELLATION

Governing Principles

8. Principle 1 applies here.

Description

9. Debt cancellation occurs when there is an agreement between the debtor and the creditor that an outstanding debt no longer needs to be repaid. In DAC statistics, debt cancellation is reported as debt forgiveness, provided that it happens in the framework of a bilateral agreement and that it is implemented for the purpose of promoting the development or welfare of the recipient. The agreement may or may not be part of a multilateral Paris Club arrangement. The only exception to this rule is cancellation of military debt, which is not reportable as debt forgiveness, but should be reported as an OOF grant.

10. Debt forgiveness is reported to the DAC reporting system as a debt forgiveness grant along with an offsetting repayment of the principal owed. The operation should be reported against the year in which the agreement to cancel legally comes into force. Conditional agreements, for example multi-year Paris Club agreements with trigger clauses, are considered to legally come into force in stages, once the relevant conditions are deemed to have been met.

11. Members can choose between two options for reporting debt cancellation:

Option 1 - to report the commitment and disbursement in a lump sum as described in Section I.A; or

Option 2 - to report the commitment in a lump sum and the disbursements year-by-year, i.e. in the year in which payments would have fallen due, as described in Section I.B.

Once Members have switched to Option 1 they may not revert to Option 2³.

3. See Annex 3 for a list of reporters who have adopted, or agreed to adopt, lump sum reporting as of 1999.

I.A. DEBT CANCELLATION: OPTION 1**Description**

12. The amount of the debt forgiveness grant is the total amount of principal forgiven plus the interest due and in arrears. Under this option, which is known as lump sum reporting, no entry should be made for future interest foregone.

Special treatment of interest for Paris Club debt cancellations

13. For simplicity it is considered that all interest covered by an annual ‘maturities’ agreement is currently due, even if part is actually due in the following calendar year. Its cancellation can therefore be reported as debt forgiveness in a lump sum commitment and disbursement in the year in which the agreement comes into force.

14. Under this option, no debt forgiveness should be reported for future interest foregone unless the interest is guaranteed. Cancellation of guaranteed future interest⁴ is reportable as an ODA debt forgiveness grant. Where possible it should be included in the lump sum reported at the time the agreement legally comes into force. If this is impossible because amounts are not known in advance, reporters may defer reporting of guaranteed future interest until the year in which it would have become due.

Data Items Required**Figure 1.**

<i>DAC sector prior to reorganisation</i>	<i>Principal</i>	<i>Interest due and in arrears</i>	<i>Guaranteed future interest</i>	<i>Sum of columns 1+2+3</i>
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
ODA	A1	A2	A3	A4
OOF	B1	B2	B3	B4
PRIVATE	C1	C2	C3	C4
TOTAL				D4

Instructions

15. **Commitments and Disbursements:** For the year in which an agreement to cancel debt legally comes into force, a lump sum amount equal to the forgiven principal due, in arrears and due in the future plus the forgiven interest due and in arrears should be included as debt forgiveness. Include **D4** in:

- ⇒ Table DAC 1 in columns 112 and 115 on line *Debt forgiveness, total* [line I.A.1.6, (code 075)];
- ⇒ Table DAC 2a in column 212, *Debt forgiveness* and column 201, *Grants* on the relevant recipient country line; and
- ⇒ Table DAC 3a in column 301, *Grants* on the relevant recipient country line.

4. Where future interest on original export credits is guaranteed and so is taken into account in determining the value of an actual transaction (e.g., payment by government to lenders) it may be included.

Also make entries in Table DAC 1 in columns 112 and 115 for the sub-items:

- ⇒ *ODA claims* [line I.A.1.6.a), (code 074)]: include **A4**;
- ⇒ *OOF claims* [line I.A.1.6.b), (code 071)]: include **B4**;
- ⇒ *Private claims* [line I.A.1.6.c), (code 072)]: include **C4**.

16. **Offsetting entries for principal:** Make entries equivalent to the total lump sum amount of forgiven principal due, in arrears and due in the future as follows:

- ⇒ forgiven ODA debt: include **A1** in
 - Table DAC 1 in column 113 on line *Offsetting entry for debt forgiveness* [line I.A.2.4, (code 101)]; and
 - Table DAC 2a in column 215, *Offsetting entries for debt relief* on the relevant recipient country line.
- ⇒ forgiven OOF debt: include **B1** in
 - Table DAC 1 in column 113 on line *Offsetting entry for debt relief* [line II.A.5, (code 102)]; and
 - Table DAC 2b in column 215, *Offsetting entries for debt relief* on the relevant recipient country line.
- ⇒ forgiven Private debt: include **C1** in
 - Table DAC 1 in column 113 on line *Offsetting entry for debt relief* [line III.A.3, (code 103)]; and
 - Table DAC 4 in column 419, *Offsetting entries for debt relief* on the relevant recipient country line.

17. **Offsetting entries for interest:** Make entries equivalent to the lump sum amount of forgiven interest as follows:

- ⇒ forgiven ODA debt: include **A2** in
 - Table DAC 1 in column 113 on line *Memo: - Offsetting entry for forgiven interest* (code 801); and
 - Table DAC 2a in column 209, *Interest received* on the relevant recipient country line.
- ⇒ forgiven OOF debt: include **B2** in
 - Table DAC 1 in column 113 on line *Memo: - Offsetting entry for forgiven interest* (code 786); and
 - Table DAC 2b in column 207, *Interest received* on the relevant recipient country line.

I.B. DEBT CANCELLATION: OPTION 2**Description**

18. The amount to report as a **commitment** for debt forgiveness is the sum of:
- Forgiven amounts due or in arrears and interest accrued, as of date of commitment; and
 - For amounts falling due after that date, the amount of principal forgiven, plus an amount equal to the discounted present value, calculated at a rate of discount of 10 per cent, of the interest payments foregone through the extinction of principal, or as a consequence of a reduction in the rate of interest.
19. The amount to report as a **gross disbursement** for debt forgiveness:
- In the year of commitment, follow the same procedure as under a) in the above paragraph, but carrying the calculation to 31 December of that year.
 - For amounts falling due in subsequent reporting periods, include as each is reached that portion of the amount of principal and (nominal) interest whose due-date falls within the reporting period concerned.

Data Items Required**Figure 2.**

<i>DAC sector prior to reorganisation</i>	<i>Principal due and in arrears</i>	<i>Interest due and in arrears</i>	<i>Sum of columns 1+2</i>	<i>Principal due in the reporting year</i>	<i>Interest foregone in the reporting year</i>	<i>Principal due in the future</i>	<i>NPV of stream of future interest payments discounted at 10%</i>	<i>Sum of columns 3+6+7</i>	<i>Sum of columns 4+5</i>
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>
ODA	A1	A2	A3	A4	A5	A6	A7	A8	A9
OOF	B1	B2	B3	B4	B5	B6	B7	B8	B9
PRIVATE	C1	C2	C3	C4	C5	C6	C7	C8	C9
TOTAL			D3			D6		D8	D9

Instructions

20. **Commitments:** For the year in which an agreement to cancel debt legally comes into force, a lump sum amount equal to the forgiven principal due, in arrears and due in the future plus the forgiven interest due and in arrears, plus the interest due in the future calculated as in paragraph 18 b) should be included as debt forgiveness. Include **D8** in:

⇒ Table DAC 1 in column 115 on line *Debt forgiveness, total* [line I.A.1.6, (code 075)];

⇒ Table DAC 3a in column 301, *Grants* on the relevant recipient country line.

Also make entries in Table DAC 1 in column 115 for the sub-items:

⇒ *ODA claims* [line I.A.1.6.a), (code 074)]: include **A8**;

⇒ *OOF claims* [line I.A.1.6.b), (code 071)]: include **B8**;

⇒ *Private claims* [line I.A.1.6.c), (code 072)]: include **C8**.

21. **Disbursements:** For the year in which an agreement to cancel debt legally comes into force, an amount equal to the forgiven principal and interest due and in arrears should be included [Column 3 - see paragraph 19 a)]. In subsequent years include the principal and interest that would have fallen due on each loan [Column 9 - see paragraph 19 b)]. Include **D3** plus **D9** in:

⇒ Table DAC 1 in column 112 on line *Debt forgiveness, total* [line I.A.1.6, (code 075)];

⇒ Table DAC 2a in column 212, *Debt forgiveness* and column 201, *Grants* on the relevant recipient country line; and

Also make entries in Table DAC 1 in column 112 for the sub-items:

⇒ *ODA claims* [line I.A.1.6.a), (code 074)]: include **A3** plus **A9**;

⇒ *OOF claims* [line I.A.1.6.b), (code 071)]: include **B3** plus **B9**;

⇒ *Private claims* [line I.A.1.6.c), (code 072)]: include **C3** plus **C9**.

22. **Offsetting entries for principal:** Make entries equivalent to the sum of (a) in the year of cancellation, the amount of forgiven principal due and in arrears, carrying the calculation to 31 December (see paragraph 19 a); and (b) for amounts falling due in subsequent reporting periods, that portion of the amount of principal whose due-date falls within the reporting period (see paragraph 19b). Report as follows:

⇒ forgiven ODA debt: include **A1** plus **A4** in

- Table DAC 1 in column 113 on line *Offsetting entry for debt forgiveness* [line I.A.2.4, (code 101)]; and

- Table DAC 2a in column 215, *Offsetting entries for debt relief* on the relevant recipient country line.

⇒ forgiven OOF debt: include **B1** plus **B4** in

- Table DAC 1 in column 113 on line *Offsetting entry for debt relief* [line II.A.5, (code 102)]; and

- Table DAC 2b in column 215, *Offsetting entries for debt relief* on the relevant recipient country line.

- ⇒ forgiven Private debt: include **C1** plus **C4** in
- Table DAC 1 in column 113 on line *Offsetting entry for debt relief* [line III.A.3, (code 103)]; and
 - Table DAC 4 in column 419, *Offsetting entries for debt relief* on the relevant recipient country line.

23. **Offsetting entries for interest:** Make entries equivalent to the sum of (a) in the year of cancellation, the amount of forgiven interest due and in arrears, carrying the calculation to 31 December (see paragraph 19 a); and (b) for amounts falling due in subsequent reporting periods (future interest foregone), that portion of the amount of (nominal) interest whose due-date falls within the reporting period (see paragraph 19 b). Report as follows:

- ⇒ forgiven ODA debt: include **A2** plus **A5** in
- Table DAC 1 in column 113 on line *Memo: - Offsetting entry for forgiven interest* (code 801); and
 - Table DAC 2a in column 209, *Interest received* on the relevant recipient country line.
- ⇒ forgiven OOF debt: include **B2** plus **B5** in
- Table DAC 1 in column 113 on line *Memo: - Offsetting entry for forgiven interest* (code 786); and
 - Table DAC 2b in column 207, *Interest received* on the relevant recipient country line.

24. **Comparative data on commitments:** To allow comparisons of debt relief effort between Members, Members using Option 2 must also supply separately to the Secretariat data on commitments for debt forgiveness which exclude any amounts of discounted future interest foregone. This should be done by entering the data items shown in the table below, and attaching it to the DAC Questionnaire.

**TABLE FOR REPORTING DEBT FORGIVENESS COMMITMENTS
NET OF FUTURE INTEREST FOREGONE**

Reporting Country:

Year:

	<i>Commitment, net of future interest foregone</i>
<i>Debt Forgiveness, Total</i>	D3 + D6
<i>Debt Forgiveness, ODA Claims</i>	A3 + A6
<i>Debt Forgiveness, OOF Claims</i>	B3 + B6
<i>Debt Forgiveness, Private Claims</i>	C3 + C6

II. RESCHEDULING OF ODA DEBT

Governing Principles

25. The reporting of ODA reschedulings is governed by principles 2, 4, 5 and 7.

Description

26. ODA reschedulings may or may not occur within the framework of the Paris Club. In DAC all rescheduled ODA loans are considered to be ODA regardless of the new repayment terms. So ODA reschedulings are always within-sector reschedulings. Only new amounts of ODA committed and disbursed, i.e. capitalised interest, should be notified in the DAC reporting system. (Interest is capitalised when a rescheduling effectively converts interest into loan principal).

Data Required

Figure 3.

<i>DAC sector prior to reorganisation</i>	<i>Interest rescheduled in current year</i>	<i>Commitments made during the year to reschedule interest, including interest due in the future</i>
	<i>1</i>	<i>2</i>
ODA	A1	A2

Instructions

27. **Commitments:** For the year in which the agreement to reschedule legally comes into force report the total amount of interest to be capitalised during the rescheduling. Include **A2** in:

- ⇒ Table DAC 1 in column 115 on lines
 - *Loans by government or official agencies* [line I.A.2.1, (code 131)];
 - *Rescheduling, total* [line I.A.2.1.b), (code 140)]; and
 - *ODA claims* [line I.A.2.1.b.i, (code 151)]; and
- ⇒ Table DAC 3a in column 304 *Loans and other long-term capital* on the relevant recipient country line.

28. **Disbursements:** For each year in which the rescheduling is implemented make entries equivalent to the amount of interest capitalised (i.e. rescheduled) during the year. Include **A1** in:

- ⇒ Table DAC 1 in column 112 on lines
 - *Loans by government or official agencies* [line I.A.2.1, (code 131)];
 - *Rescheduling, total* [line I.A.2.1.b), (code 140)]; and
 - *ODA claims* [line I.A.2.1.b.i, (code 151)]; and
- ⇒ Table DAC 2a on the relevant recipient country line in
 - column 204, *Loans and other long-term capital extended*; and
 - column 214, *Loans and other long-term capital extended, of which rescheduled debt*.

III. RESCHEDULING OF OOF DEBT AS ODA

Governing Principles

29. The reporting of rescheduling of OOF debt as ODA is governed by principles 2, 4 and 8.

Description

30. Rescheduling of OOF debt as ODA is an unusual operation that occurs outside the framework of the Paris Club when a creditor decides to transform its OOF loans into ODA loans. The implementation would nearly always occur in one go in the year in which the agreement legally comes into force. For reschedulings of OOF in the framework of the Paris Club see section IV below.

Data Required

Figure 4.

<i>DAC sector prior to reorganisation</i>	<i>Principal Rescheduled in current year</i>	<i>Interest (including late interest and penalty charges) rescheduled in current year</i>	<i>Sum of columns 1+2</i>	<i>Rescheduling amounts committed in current year (includes any principal and interest to be rescheduled in the future)</i>
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
OOF	A1	A2	A3	A4

Instructions

31. **Commitments:** For the year in which the agreement to reschedule legally comes into force make an entry of the total amount of principal and interest to be rescheduled in that year and thereafter. Include **A4** in:

- ⇒ Table DAC 1 in column 115 on lines
 - *Loans by government or official agencies* [line I.A.2.1, (code 131)];
 - *Rescheduling, total* [line I.A.2.1.b), (code 140)]; and
 - *OOF claims* [line I.A.2.1.b.ii, (code 152)]; and
- ⇒ Table DAC 3a in column 304, *Loans and other long-term capital* on the relevant recipient country line.

32. **Disbursements:** For the year in which the rescheduling is implemented make entries equivalent to the amount of principal and interest rescheduled in the year. Include **A3** in:

- ⇒ Table DAC 1 in column 112 on lines
 - *Loans by government or official agencies* [line I.A.2.1, (code 131)];
 - *Rescheduling, total* [line I.A.2.1.b), (code 140)]; and
 - *OOF claims* [line I.A.2.1.b.ii, (code 152)]; and

- ⇒ Table DAC 2a on the relevant recipient country line in
 - column 204, *Loans and other long-term capital extended*; and
 - column 214, *Loans and other long-term capital extended, of which rescheduled debt*.

33. **Offsetting entries for principal:** For the year in which the rescheduling is implemented make entries equivalent to the amount of principal rescheduled in the year. Include **A1** in:

- ⇒ Table DAC 1 in column 113 on line *Offsetting entry for debt relief* [line II.A.5, (code 102)]; and
- ⇒ Table DAC 2b in column 215, *Offsetting entries for debt relief* on the relevant recipient country line.

IV. PARIS CLUB DEBT REORGANISATION OF OOF AND PRIVATE CLAIMS

Description

Concessional and non-concessional agreements

34. The Paris Club has two main categories of agreement for non-ODA debt: Concessional and Non-concessional.

- Concessional agreements include an element of debt relief, by reducing the net present value (NPV) of the borrower's obligations. This relief is reportable as debt forgiveness since it is for the purpose of promoting the development or welfare of the recipient. The only exception to this rule is the concessional treatment of military debt. Relief of military debt should not be reported as debt forgiveness, but should be reported as an OOF grant.
- Non-concessional agreements are reschedulings on market terms of interest without any accompanying debt cancellation

Figure 5

<i>PARIS CLUB REORGANISATION</i>	<i>TREATMENT IN DAC</i>	<i>SECTION IN HANDBOOK</i>
<i>Concessional:</i>		
- Debt reduction	1. Debt forgiveness for the cancelled part 2. Non-concessional rescheduling for the rescheduled part	Section I Section IV.B
- Debt service reduction	Concessional rescheduling	Section IV.A
- Capitalisation of moratorium interest	Concessional rescheduling	Section IV.A
<i>Non-concessional</i>	Non-concessional rescheduling	Section IV.B

Special Features of Paris Club Reschedulings

When do Paris Club agreements legally come into force?

35. Most Paris Club maturities agreements are multi-year conditional agreements which legally come into force in stages, after approval by the Paris Club. Such agreements should be reported as each stage comes into force, usually year-by-year. Where there are no conditions, agreements come into force in the first year of the agreement.

Sector of debt

36. Once a private sector claim has been rescheduled, it becomes OOF, and any subsequent rescheduling should be treated as a rescheduling of OOF debt. Thus, with the exception of DSR (see following paragraph), all reschedulings of original OOF and of previously rescheduled private debt should be treated as OOF within-sector reschedulings.

DSR should never be treated as a within-sector rescheduling

37. Since DSR has an ODA component it should never be treated as a within-sector rescheduling. This means that when OOF is rescheduled under DSR it is necessary to make disbursement entries under ODA and OOF for the appropriate proportions of the sum of principal and interest rescheduled, with offsetting entries under OOF (see section IV.A).

IV.A PARIS CLUB CONCESSIONAL DEBT REORGANISATION

Governing Principles

38. The reporting of Paris Club concessional options is governed by principles 1, 3 and 4.

Description

39. The concessionality in concessional agreements may be achieved in three different ways: Debt Reduction (DR), Debt Service Reduction (DSR) and Capitalisation of Moratorium Interest (CMI) - see Glossary.

40. DR involves cancellation of part of the eligible debt, and rescheduling of the remainder at market rates. For the cancelled part (debt forgiveness) follow the reporting instructions in Section I and for the rescheduled part at market rates follow the reporting instructions in Section IV B.

41. DSR and CMI are two different forms of concessional rescheduling.

Data required for DSR and CMI

Figure 6.

<i>DAC sector prior to reorganisation</i>	<i>Lump sum of principal rescheduled*</i>	<i>Lump-sum of interest (including late interest and penalty charges)*</i>	<i>Sum of columns 1 and 2</i>	<i>Net present value reduction in the debt achieved by current rescheduling</i>	<i>Column 3 less column 4</i>
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
OOF	A1	A2	A3	A4	A5
PRIVATE	B1	B2	B3	B4	B5
TOTAL				C4	C5

*over the whole consolidation period

Instructions

42. The flows reported to DAC are split into two categories:

- a) a debt forgiveness grant under ODA; and
- b) a rescheduling under OOF, along with the appropriate counter-entries.

a) Debt Forgiveness

43. *Commitments and Disbursements:* For the year in which an agreement, or stage of an agreement, legally comes into force, report debt forgiveness of an amount equivalent to the net present value (NPV) reduction, as defined by the Paris Club, of the total debt treated. Include **C4** in:

- ⇒ Table DAC 1 in columns 112 and 115 on lines
 - *Debt forgiveness, total* [line I.A.1.6, (code 075)]; and
 - *Memo: Grants for debt service reduction* (code 097); and
- ⇒ Table DAC 2a in column 212, *Debt forgiveness* and column 201, *Grants* on the relevant recipient country line; and
- ⇒ Table DAC 3a in column 301, *Grants* on the relevant recipient country line.

Also make entries in Table DAC 1 in columns 112 and 115 for the sub-items:

- ⇒ *OOF claims* [line I.A.1.6.b), (code 071)]: include **A4**; and
- ⇒ *Private claims* [line I.A.1.6.c), (code 072)]: include **B4**.

b) Rescheduling

44. This is reported in a different way from other reschedulings because of the associated debt forgiveness entry. In order not to overstate the total flow to the recipient, the amounts to report as reschedulings are the actual amounts rescheduled less the amounts reported as debt forgiveness (e.g. for \$100 of rescheduled interest report \$33 as rescheduled when the reduction in NPV is 67% and \$50 when the reduction in NPV is 50%).

45. *Commitments and Disbursements*: For the year in which an agreement, or stage of an agreement, legally comes into force, make entries of an amount equivalent to the total amount rescheduled less the amount reported as forgiven. Include **C5** in:

- ⇒ Table DAC 1 in columns 112 and 115 on lines
 - *Rescheduling, total* [line II.A.3, (code 300)]; and
 - *OOF component of debt service reduction* [line II.A.3.2, (code 303)]; and
- ⇒ Table DAC 2b in column 204, *Other long-term extended* on the relevant recipient country line.

46. *Offsetting entries*: Make an entry equivalent to the total principal rescheduled.

OOF debt

Include **A1** in:

- ⇒ Table DAC 1 in column 113 on line *Offsetting entry for debt relief* [line II.A.5, (code 102)]; and
- ⇒ Table DAC 2b in column 215, *Offsetting entries for debt relief* on the relevant recipient country line.

Include **A2** in:

⇒ Table DAC 1 in column 113 on line *Memo: - Offsetting entry for forgiven interest* (code 786).

Private debt

Include **B1** in

⇒ Table DAC 1 on line *Offsetting entry for debt relief* [line III.A.3, (code 103)]; and

⇒ Table DAC 4 in column 419, *Offsetting entries for debt relief* on the relevant recipient country line.

IV.B. PARIS CLUB NON-CONCESSIONAL DEBT RESCHEDULING

Governing Principles

47. The reporting of non-concessional rescheduling is governed by principles 2, 4, 6, 9 and 11.

Data Required

Figure 7.

<i>DAC sector prior to reorganisation</i>	<i>Principal rescheduled during the year</i>	<i>Interest (including late interest and penalty charges) rescheduled during the year</i>	<i>Sum of columns 1+2</i>	<i>Commitments made during the year to reschedule interest, including interest due in the future</i>	<i>Commitments made during the year to reschedule interest and principal, including amounts due in the future</i>
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
OOF	A2	A2		A4	
PRIVATE	B1	B2	B3		B5

Instructions

OOF debt

48. **Commitments:** For the year in which the agreement to reschedule legally comes into force make an entry for the total amount of interest rescheduled: Include **A4** in:

- ⇒ Table 1 in column 115 on lines
 - *Rescheduling, total* [line II.A.3, (code 300)];
 - *Non-concessional rescheduling* [line II.A.3.1, (code 301)]; and
 - *OOF claims* [line II.A.3.1.a), (code 302)].

49. **Disbursements:** For each year in which the agreement is implemented make an entry equivalent to the amount of interest rescheduled in the year. Include **A2** in:

- ⇒ Table DAC 1 in column 112 on lines
 - *Rescheduling, total* [line II.A.3, (code 300)];
 - *Non-concessional rescheduling* [line II.A.3.1, (code 301)]; and
 - *OOF claims* [line II.A.3.1.a), (code 302)]; and
- ⇒ Table DAC 2b in column 204, *Other long-term extended* on the relevant recipient country line.

Private debt

50. **Commitments:** For the year in which the agreement to reschedule legally comes into force make an entry for the total amount of principal and interest rescheduled. Include **B5** in:

- ⇒ Table DAC 1 in column 115 on lines
 - *Rescheduling, total* [line II.A.3, (code 300)];
 - *Non-concessional rescheduling* [line II.A.3.1, (code 301)]; and
 - *Private sector claims* [line II.A.3.1.b), (code 310)].

51. **Disbursements:** For each year in which the agreement is implemented make entries equivalent to the amount of principal and interest rescheduled in the year. Include **B3** in:

- ⇒ Table DAC 1 in column 112 on lines
 - *Rescheduling, total* [line II.A.3, (code 300)];
 - *Non-concessional rescheduling* [line II.A.3.1, (code 301)]; and
 - *Private sector claims* [line II.A.3.1.b), (code 310)]; and
- ⇒ Table DAC 2b in column 204, *Other long-term extended* on the relevant recipient country line.

52. **Offsetting entries:** For each year in which the agreement is implemented make offsetting entries equivalent to the amount of principal rescheduled in the year. Include **B1** in:

- ⇒ Table DAC 1 in column 113 on line *Offsetting entry for debt relief* [III.A.3, (code 103)]; and
- ⇒ Table DAC 4 in column 419, *Offsetting entries for debt relief* on the relevant recipient country line.

V. DEBT CONVERSIONS

Governing Principles

53. The reporting of conversions is governed by principle 12.

Description

54. There are many types of debt conversion and instructions cannot cover all types of operation. This handbook provides a general explanation to enable these transactions to be reported in conformity with principle 12. If in doubt please refer to the Secretariat.

55. For the purposes of DAC reporting there are two main types of debt conversion:

- a) direct conversions, i.e. conducted directly by the official sector, and
- b) indirect conversions involving sale of the debt to a third party prior to conversion.

56. *Direct conversions* are conducted directly by the creditor's official sector. They include conversions carried out on behalf of the official sector by an NGO using official funds. They are reportable as ODA if they are the subject of a bilateral agreement between debtor and creditor governments and they have a developmental motive. Thus, for example, all conversions within the framework of Paris Club concessional debt reorganisation can be considered as reportable as ODA. If the creditor grants the debtor a discount on the conversion, the reporting of the operation has two components: debt conversion and debt forgiveness. The amount to report as debt conversion is the value of the local counterpart funds, real estate or equity exchanged for the debt. The amount to report as debt forgiveness is the discount on the debt granted to the debtor, that is, the difference between the lump sum value of the debt and the amount reported as debt conversion.

57. *Indirect conversions* occur when the official sector sells debt to the private sector for the purposes of conversion. The purchaser may be an NGO using private funds, or a private sector company. The purchase of the debt should be recorded as an offsetting entry for debt relief under ODA or OOF, as appropriate. In addition, the loss borne by the official sector, that is the discount offered to the purchaser, may be reported as ODA debt forgiveness, with the appropriate counter entry (see section I) if the sale and subsequent conversion takes place within the framework of a bilateral agreement between governments which has a developmental motive (e.g. a Paris Club agreement). Otherwise, as in the case of write-off, there is no entry for the loss to the official sector.

Data required**Figure 8**

<i>DAC sector prior to reorganisation</i>	<i>Principal</i>	<i>Interest due and in arrears</i>	<i>Value of debt converted: Sum of columns 1 and 2</i>	<i>Value of counterpart funds, real estate or equity</i>	<i>Discount granted by the official sector¹</i>	<i>Amount paid to the creditor's official sector by the private sector²</i>
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
ODA	A1	A2	A3	A4	A5	A6
OOF	B1	B2	B3	B4	B5	B6
Private	C1	C2	C3	C4	C5	
TOTAL			D3	D4	D5	

Notes:

1. For direct conversions the discount granted by the official sector is calculated as column 3 less column 4. For indirect conversions the discount granted by the official sector is calculated as column 3 less column 6.
2. Column 6 applies only to indirect conversions.

Instructions

58. If guaranteed private debt is taken over by the official sector and then sold to an NGO or private sector entity for indirect conversion, first record the take-over by the official sector as a rescheduling of private debt as OOF (see *Section IV.A: Paris Club Rescheduling of OOF and Private Claims*). Then follow the instructions in this section for reporting of indirect conversion of OOF debt. If the debt is converted directly by the official sector, there is no need to report rescheduling, as the rescheduling entries would be cancelled out by the conversion entries.

Debt ConversionDirect Conversions

59. **Commitments and Disbursements:** For the year in which an agreement, or stage of an agreement, legally comes into force, report as debt conversion an amount equivalent to the counterpart funds, real estate or equity provided by the debtor country. Include **D4** in:

- ⇒ Table DAC 1 in columns 112 and 115 on lines
 - *Other debt relief* [line I.A.1.7, (code 094)];
 - *Debt conversion* [line I.A.1.7.b), (code 092)]; and
- ⇒ Table DAC 2a in column 201, *Grants* on the relevant recipient country line; and
- ⇒ Table DAC 3a in column 301, *Grants* on the relevant recipient country line.

Indirect Conversions

60. **Disbursements:** For the year in which an agreement, or stage of an agreement, legally comes into force, report a private outflow of an amount equal to the value of the counterpart funds, real estate or equity provided by the debtor country.

- ⇒ Debt purchased and converted by Private Sector: include **D4** in
 - Table DAC 1 in columns 112 in section III.A on the appropriate lines; and
 - Table DAC 4 in the appropriate column on the relevant recipient country line.

e.g.

- for conversion to real estate include **D4** in Table DAC 1 on lines *Direct Investment* [line III.A.1, (code 340)], *New capital outflows* [line III.A.1.1, (code 345)]; and *of which Real Estate* [line III.A.1.1, (code 343)]; and in Table DAC 4 in column 405, *Direct Investment*.
 - for conversion to equity include **D4** in Table DAC 1 on lines *Other securities and claims* [line III.A.2, (code 353)] and *Non-banks* [line III.A.2.2, (code 386)] and *Other securities (including equities)* [line III.A.2.2.d, (code 389)]; and in Table DAC 4 in column 407, *Securities and other* and column 417, *Total non-banks*.
- ⇒ Debt purchased by an NGO and converted to a grant: include **D4** in:
 - Table DAC 1 in column 112 on lines *Net grants by NGOs* [line IV, (code 415)] and *Gross outflow from NGOs* [line IV.1, (code 425)]; and
 - Table DAC 4 in column 425, *Memo: Gross outflows of NGOs* on the relevant recipient country line.

Debt Forgiveness

61. An additional grant of debt forgiveness may be reported to reflect the discount granted by the official sector if the conversion is agreed bilaterally between governments and it has a developmental motive.

62. **Commitments and Disbursements:** For the year in which an agreement, or stage of an agreement, legally comes into force, report a debt forgiveness grant of an amount equivalent to the discount given by the official sector. Include **D5** in:

- ⇒ Table DAC 1 in columns 112 and 115 on line *Debt forgiveness, total* [line I.A.1.6, (code 075)];
- ⇒ Table DAC 2a in column 212, *Debt forgiveness* and column 201, *Grants* on the relevant recipient country line; and
- ⇒ Table DAC 3a in column 301, *Grants* on the relevant recipient country line.

63. Also make entries in Table DAC 1 in columns 112 and 115 for the sub-items:

- ⇒ *ODA claims* [line I.A.1.6.a), (code 074)]: include **A5**;
- ⇒ *OOF claims* [line I.A.1.6.b), (code 071)]: include **B5**;
- ⇒ *Private claims* [line I.A.1.6.c), (code 072)]: include **C5**.

Offsetting entries

Direct Conversions

64. ***Offsetting entries for principal:*** Make entries equivalent to the total lump sum amount of forgiven and converted principal

- ⇒ ODA debt converted: include **A1** in
 - Table DAC 1 in column 113 on line *Offsetting entry for debt forgiveness* [line I.A.2.4, (code 101)]; and
 - Table DAC 2a in column 215, *Offsetting entries for debt relief* on the relevant recipient country line.
- ⇒ OOF debt converted: include **B1** in
 - Table DAC 1 in column 113 on line *Offsetting entry for debt relief* [line II.A.5, (code 102)]; and
 - Table DAC 2b in column 215, *Offsetting entries for debt relief* on the relevant recipient country line.
- ⇒ Private debt converted: include **C1** in
 - Table DAC 1 in column 113 on line *Offsetting entry for debt relief* [line III.A.3, (code 103)]; and
 - Table DAC 4 in column 419, *Offsetting entries for debt relief* on the relevant recipient country line.

65. ***Offsetting entries for interest:*** Make entries equivalent to the lump sum amount of forgiven and converted interest as follows:

- ⇒ forgiven ODA debt: include **A2** in
 - Table DAC 1 in column 113 on line *Memo: - Offsetting entry for forgiven interest* (code 801); and
 - Table DAC 2a in column 209, *Interest received* on the relevant recipient country line.

- ⇒ forgiven OOF debt: include **B2** in
 - Table DAC 1 in column 113 on line *Memo: - Offsetting entry for forgiven interest* (code 786); and
 - Table DAC 2b in column 207, *Interest received* on the relevant recipient country line.

Indirect Conversions

66. **Offsetting entries for receipts from the private sector:** Make entries for the payment made by the private sector or NGOs.

- ⇒ ODA debt purchased: include **A6** in
 - Table DAC 1 in column 113 on line *Offsetting entry for debt forgiveness* [line I.A.2.4, (code 101)]; and
 - Table DAC 2a in column 215, *Offsetting entries for debt relief* on the relevant recipient country line.
- ⇒ OOF debt purchased: include **B6** in
 - Table DAC 1 in column 113 on line *Offsetting entry for debt relief* [line II.A.5, (code 102)]; and
 - Table DAC 2b in column 215, *Offsetting entries for debt relief* on the relevant recipient country line.

VI. SERVICE PAYMENTS TO THIRD PARTIES AND DEBT BUYBACKS

Service Payments to third parties

67. Service payments to third parties are debt service paid by a donor to a third party creditor, usually a multilateral or private sector body, on behalf of the debtor country. Include the amount paid in:

- ⇒ Table DAC 1 in columns 112 and 115 on line *Service payments to third parties* [line I.A.1.7.a), (code 091)]; and
- ⇒ Table DAC 2a in column 201, *Grants* on the relevant recipient country line; and
- ⇒ Table DAC 3a in column 301, *Grants* on the relevant recipient country line.

The debt service payments received under such an arrangement should be reported as principal and interest received in the usual way as if the debtor had paid them.

Debt buybacks

68. When a donor provides a grant to fund the recipient's purchase of its debt from a third party (or buys back the debt directly on behalf of the recipient) the amount to record is the donor's outlay and not the amount of debt bought back. These amounts are often different because the debt is usually bought back at a discount. Include the amount paid in:

- ⇒ Table DAC 1 in columns 112 and 115 on line *Debt buybacks* [line I.A.1.7.c), (code 096)]; and
- ⇒ Table DAC 2a in column 201, *Grants* on the relevant recipient country line; and
- ⇒ Table DAC 3a in column 301, *Grants* on the relevant recipient country line.

69. When principal is bought back from the private sector in the reporting country, offsetting entries, based on the amounts paid, should be made. Include the amount paid in:

- ⇒ Table DAC 1 in column 113 on line *Offsetting entry for debt relief* [line III.A.3, (code 103)]; and
- ⇒ Table DAC 4 in column 419, *Offsetting entries for debt relief* on the relevant recipient country line.

70. Contributions to the IDA Debt Reduction Facility to buy back debt may be included here if the recipient country is known. Otherwise, contributions to the Facility should be recorded under *Multilateral, grants and capital subscriptions to IDA* [line I.B.1.3, (code 550)]. In either case, the contribution should also be recorded in Table DAC 1 under *Memo (bilateral + multilateral): IDA Debt Reduction Facility* (code 792).

VII. CONTRIBUTIONS TO THE HIPC INITIATIVE

71. Where a contribution to the Highly Indebted Poor Countries (HIPC) initiative is earmarked for a specific recipient country it should be reported as a bilateral grant. Include the amount paid in:

- ⇒ Table DAC 1 in columns 112 and 115 on line *Other action on debt: Other* [line I.A.1.7.d), (code 093)]; and
- ⇒ Table DAC 1 in columns 112 and 115 on line *Memo (bilateral + multilateral): HIPC Initiative* (code 791); and
- ⇒ Table DAC 2a in column 201, *Grants* on the relevant recipient country line; and
- ⇒ Table DAC 3a in column 301, *Grants* on the relevant recipient country line.

72. Where the contribution is not earmarked for a specific recipient country it should be reported as a grant to a multilateral agency. Include the amount paid in:

- ⇒ Table DAC 1 in columns 112 and 115 on the appropriate agency line of section I.B.1; and
- ⇒ Table DAC 1 in columns 112 and 115 on line *Memo (bilateral + multilateral): HIPC Initiative* (code 791).

ANNEX 1
PRINCIPLES TO GOVERN THE REPORTING OF DEBT REORGANISATION

1. Cancellation of debt qualifies as ODA debt forgiveness if it has a development motive. Unilateral write-off for the purposes of book-keeping does not have this motive and is not included in DAC reporting.
2. The commitment to reschedule/refinance debt is recorded in full in the year the bilateral agreement to restructure legally comes into force. The 'disbursement' of any future maturities rescheduled is recorded at the time of the actual implementation¹ of their rescheduling.
3. Concessional rescheduling of non-ODA debt in the framework of the Paris Club Debt Service Reduction agreements should be reported as two operations:
 - a) a debt forgiveness grant under ODA equal to the reduction in the net present value of the debt²; and
 - b) a rescheduling of the remaining debt under OOF.
4. Rescheduling should be reported in exactly the same way as refinancing.
5. Any action taken to restructure an ODA loan qualifies as ODA.
6. Private debt restructured by the official sector is deemed to become official debt as of the date the agreement legally comes into force.
7. When rescheduling/refinancing occurs wholly within a DAC category (ODA, OOF) only the amounts of capitalised interest should be reported.
8. When OOF debt is rescheduled/refinanced on ODA terms by the official sector outside the framework of the Paris Club, both the principal and interest restructured should be reported under ODA as an amount rescheduled/refinanced.
9. When private debt is rescheduled/refinanced by the official sector, both the principal and interest restructured should be reported, under ODA or OOF, as an amount rescheduled/refinanced.

10. Where short-term debt is cancelled or rescheduled/refinanced over more than one year by the official sector, this should be reported under ODA or OOF, as an amount rescheduled/refinanced.
11. The rescheduling/refinancing of non-ODA debt on market terms of interest does not qualify as ODA, even when because of long maturities the grant element is 25% or more.
12. Where official debt is exchanged for equity or counterpart funds to be used for development purposes, this should be reported as an ODA grant for debt conversion, not as debt forgiveness. When official debt is exchanged at a discount, the value of the counterpart fund or equity should be reported as debt conversion and the difference between that and the amount of debt cancelled as debt forgiveness. When the official sector sells debt at a discount to a private sector entity which is then exchanged for equity or counterpart funds to be used for the benefit of the private sector entity for development purposes, the official sector's loss should be reported as debt forgiveness.

1. In year 1 when the old set of future principal and interest maturities are simply replaced with a new set; year-by-year when future maturities are rescheduled only as they are reached.
2. As for debt cancellation the ODA entry should be calculated with reference to the nominal value of the debt. If the value of all outstanding principal plus interest arrears is \$100 and a 67% NPV reduction is applied, the amount to report as debt forgiveness is \$67. No consideration should be taken of the foregone future interest originally due on the debt, with the exception of guaranteed interest, which is always treated as principal.

ANNEX 2 GLOSSARY

Arrears

Overdue amounts of principal or interest.

Capitalisation of interest

This is the conversion of scheduled (due or in *arrears*) or *late interest* payments into debt. It often occurs as part of a *rescheduling* agreement.

Capitalisation of Moratorium Interest (CMI) option

One of the Paris Club options open to creditors applying concessional debt relief. It is much less commonly used than *Debt Reduction* and *Debt Service Reduction*. Interest rates are reduced but less so than under the *Debt Service Reduction* option. The further reduction in present value is obtained by means of a long grace period and *capitalisation* of some *moratorium interest*. The reduction in net present value of the debt is reportable as *debt forgiveness*.

Consolidation period

This is the period specified in restructuring agreements in which debt service payments falling due are reorganised.

Consolidation at market rates option (long-term option)

This is a Paris Club option that creditors may use under a concessional *debt relief* agreement only when they are unable to use one of the other concessional options. It is *rescheduling* or *refinancing* of the totality of the eligible debt at market rates over 40 years with a 20 year grace period. There is no reduction in the net present value of the debt, and therefore no *debt forgiveness* entry should be made in DAC statistics.

Debt buyback

A debt buyback is the repurchase, usually at a discount, by a debtor country (or on its behalf) of all or part of its external debt. It typically involves private sector debt, which may be purchased on the secondary market, or through negotiations with the creditors.

Debt cancellation

Debt cancellation occurs when there is an agreement between the debtor and the creditor that an outstanding debt no longer needs to be repaid.

Debt conversion

Exchange of debt - typically at a substantial discount - for equity, or counterpart domestic currency funds to be used to finance a particular project or policy. Debt for equity, debt for nature and debt for development swaps are all examples of debt conversion.

Debt forgiveness

In DAC statistics debt forgiveness covers both debt cancelled by agreement between debtor and creditor and a reduction in the net present value of *non-ODA* debt achieved by concessional *rescheduling* or *refinancing*. Examples of the latter are Paris Club *Debt Service Reduction* and *Capitalisation of Moratorium Interest* options. (No debt forgiveness is deemed to occur when the net present value of *ODA* debt is reduced through *rescheduling* or *refinancing*). However, cancellation or reduction in net present value of military debt is never reportable in DAC statistics as debt forgiveness, but should be reported as an OOF grant.

Debt Reduction option

This is one of the two main options (the other is *Debt Service Reduction*) open to creditors for applying Paris Club concessional *debt relief*. It involves cancellation of part of the eligible debt, and *rescheduling* of the remainder at market rates. Under Naples terms the *rescheduling* is spread over 23 years with a six-year grace period. The reduction in net present value of the debt is reportable as *debt forgiveness*.

Debt relief

Any form of *debt reorganisation* which relieves the overall burden of debt.

Debt reorganisation = Debt restructuring

General term for operations altering the amount or repayment terms of outstanding debt. It includes *rescheduling*, *refinancing*, *debt forgiveness*, *conversion* and *buybacks*. Any debt may be restructured. The debt may be from a single loan or a set of loans, or represent only part of a loan or set of loans. For example, the *arrears* on a set of loans may be rescheduled in the form of a new loan, with the old loans to run in parallel.

Debt Service Reduction option

This is one of the two main options open to creditors for applying Paris Club concessional debt relief. It involves *rescheduling* or *refinancing* the totality of the eligible debt over a long period (33 years for a 67% NPV reduction in debt under Naples terms) at interest rates well below market interest rates.

Debt Swaps

see Debt Conversion

Disbursement

A disbursement is the placement of resources at the disposal of the recipient. In DAC statistics, debt forgiveness is recorded as a disbursement of a grant equivalent to the amount of forgiven debt. Offsetting entries are also made wherever possible for the amounts of principal and interest forgiven in order to avoid double-counting with the original loan disbursement.

Grant element

The difference between the face value of a loan (or an amount rescheduled) and the sum of the discounted present value of the associated debt service payments using a discount rate of 10 per cent per annum, expressed as a percentage of the face value.

Late interest

Interest accrued on principal and interest in arrears. This is often capitalised in a *rescheduling/refinancing* agreement.

Moratorium interest

Interest charged on rescheduled amounts.

Multi-year rescheduling agreement (MYRA)

This is an agreement that is made up of successive stages or tranches to be implemented only after certain specified conditions are met. Each tranche of the MYRA legally comes into force only when Paris Club creditors are satisfied that the conditions have been fulfilled. These agreements should be reported in DAC statistics in stages as each tranche of the MYRA comes into force.

Official Development Assistance (ODA)

Grants or loans from public funds to promote the economic development and welfare of developing countries. To qualify as ODA, loans must have a *grant element* of 25% or more. Concessional Paris Club treatments are deemed to be for development purposes, and thus to meet the motivational test for ODA.

Official debt

This is debt owed to a bilateral government agency or a multilateral development agency. As well as debt arising from *ODA* and *OOF*, it includes former private sector debt that has been rescheduled by the official sector.

Other Official Flows (OOF)

Grants or loans from public sources, other than *Official Development Assistance*. Transactions for military purposes and transfers to private individuals are excluded. Official *rescheduling* of private debt is classified as OOF.

Paris Club debt stock agreements

A Paris Club debt stock agreement restructures the stock of debt outstanding at a given date.

Paris Club maturities agreements (also known as flow agreements)

A Paris Club maturities agreement restructures the eligible service payments due in a given *consolidation period*, often in combination with *arrears* outstanding at the beginning of the consolidation period.

Private debt

This is debt from a loan by a private entity, such as a bank or an exporter. It may be guaranteed by the official sector. If it is rescheduled by the official sector it is reclassified as *OOF* debt.

Refinancing

The extension of a new loan to enable the repayment of all or part of the amounts outstanding on earlier borrowing, possibly including amounts not yet due. Refinancing may involve a change of creditor.

Rescheduling

a) Narrow technical definition: the postponement of all or part of one or more maturities of one or more loans, the creditor and the debtor remaining unchanged. In legal terms a rescheduling agreement is the equivalent of a new loan agreement.

b) Wider definition: a general term - encompassing the techniques of both *refinancing* and a) above, - for any action which results in a new schedule of maturities of either principal or interest, or both, for outstanding debt. There may be a change of creditor, for example in the case of official rescheduling of private debt. In DAC terms rescheduling is the equivalent of the extension of a loan, with a corresponding repayment of the amount of principal rescheduled.

Write-off

The unilateral removal of debt from a creditor's books. This is not a flow and should not be recorded in DAC statistics.

ANNEX 3
MEMBERS REPORTING POSITIONS AS OF 1999

Debt cancellation

1. Members agreeing to use lump sum reporting of disbursements of debt forgiveness when debt is cancelled:

Australia, Austria, Belgium, Canada, Denmark, Finland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, United Kingdom, United States. France and Portugal for cancellation of non-ODA debt only.

2. Members reporting year-by-year:

Germany. France and Portugal for cancellation of ODA debt.