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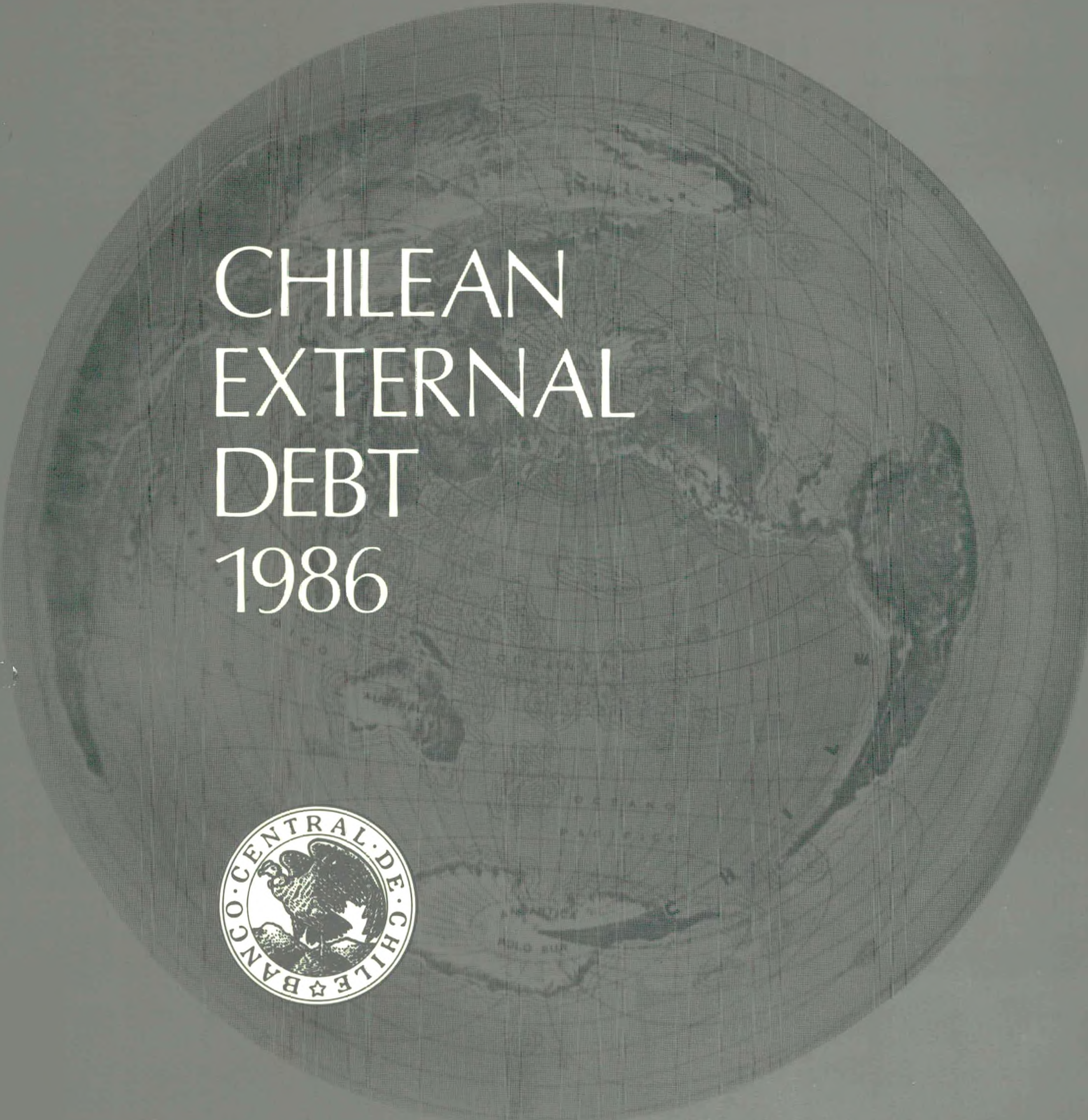

CHILEAN EXTERNAL DEBT 1986

DIRECCION INTERNACIONAL

BANCO CENTRAL DE CHILE

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BANCO CENTRAL DE CHILE

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DIRECTOR AND LEGAL REPRESENTATIVE
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INTRODUCTION

This publication aims at providing statistical data on Chile's External Debt at December 31, 1986 considering both the Public Debt and the Private Debt.

For reasons of availability of information, it has only been possible to include the short term operations of the public sector and of the financial private sector from 1975 on, to the consequent exclusion of direct foreign trade operations of the non-financial private sector (Outstanding Payments and Advances, and Export Credits).

The concept of "External Debt" used is similar to that of international organizations, so that the information presented may serve the purposes of establishing comparisons between countries. However, it must be borne in mind, as was mentioned above, that this definition includes short term debts.

"Public Debt" is understood as the amounts disbursed and outstanding corresponding to the external credits contracted by the Public Sector, as well as by the Private Sector when the latter are covered by public guaranty. The Public Sector is formed by state institutions and by corporations where the State owns a controlling interest of over 50% of the capital. A "public guaranty" is granted by the State or by the public corporations in general. Consequently, the concept of "Private Debt" refers exclusively to the debt contracted by the private sector and not covered by any kind of public guaranty.

The expression "Short Term" includes credit operations with maturities of up to 365 days, from the day they are contracted until they are fully paid. Any maturity at over 365 days is considered as "medium and long term".

In accordance with the procedures used by the specialized international organizations, this document excludes such debts as susceptible of being repaid in domestic currency (Chilean pesos) and debts with the International Monetary Fund. The latter, however, are considered in the calculation of the International Reserves of the Central Bank of Chile.

At December 31, 1986, the amounts corresponding to the two categories excluded were the following:

	US$ million
External Debt repayable in domestic currency	68.8
External Debt with the International Monetary Fund	1,327.9
Total	1,396.7

It is necessary to point out that for the purposes of the present report, Chile's external debt, which is structured in different foreign currencies, has been expressed in US$ dollars at the exchange rate effective at December 31, 1986. Due to the devaluation experienced by the dollar in 1986, the outstanding external debt increased by US$ 340 million, relative to December 1985.

For descriptive purposes, in the case of floating-rate loans, the following average annual floating rates were estimated in the projection of interest payments for the 1987-1996 period (see Tables Nº 5, 6, 9, 10, 18, 20 and 22): 1987: LIBOR (180 day) = 6.54%, and Prime = 7.69%. From 1988 on: LIBOR (180 day) = 8.00%, and Prime = 8.5%. These rates do not include the spread on the base interest rates, which are of course considered in the final projection. These spreads correspond, as an average, to 1.31% for the total medium and long term debt. Of the total debt at December 31, 1986 (US$ 19,388 million), 81.6%, that is to say, US$ 15,828 million corresponds to credits contracted at floating interest rates, which means that a one percentage point variation in the international interest rates implies an annual variation in cost of US$ 158.3 million for Chile.

Finally this publication includes an advance of the principal figures of the first three quarters of the year 1987 (see tables Nº 29 to 32).

FINANCIAL PROGRAM
1983 - 1987

The liquidity crisis produced in the international capital market as from the third quarter 1982, interrupted abruptly the flow of voluntary external credits from the international banks to the Latin American countries. Like many of these countries, Chile had to reach an agreement with the international banking community in order to obtain the necessary external resources to cater for the need for external finance in 1983, 1984, 1985, 1986, 1987 and 1988.

These agreements were reached in April, 1983, June 1984, November 1985, and February 1987, include the following areas:

1) **Restructuring of the amortization of external credits** with maturities:

a) From January 31, 1983 to December 31, 1984 (US$ 3,400 million approximately) due for the domestic public and private sectors to International banks, including corporate sector and loan of branches of foreign banks in Chile, both, without public guarantee.

b) From January 1st, 1985 to December 31, 1987 (US$ 5,415 million approximately) due for the domestic public and private sectors to International banks, including corporate sector and branches of foreign banks in Chile, both sectors without public guarantee.

c) From July 1st, 1985 to December 31, 1986 (US$ 145.5 million approximately) due for the domestic public sector to international creditors with official guarantee from their own governments. This agreement were reached with Paris Club.

d) From April 15, 1987 to December 31, 1988 (US$ 165.9 million approximately) due for the domestic public sector to international creditors with official guarantee from their own governments. This agreement were reached with Paris Club.

e) From January 1st, 1988 to December 31, 1991 (US$ 1,850 million approximately) due for the domestic public and private sectors to international banks, including corporate sector and loan of branches of foreign banks in Chile, both without public guarantee.

2) **New Money Loans**

a) US$ 1,300 million, 1983

b) US$ 780 million, 1984

c) US$ 1,085 million, 1985-1986.

3) Maintaining, as a minimum, the level of lending of the creditor banks in Chile at January, 31, 1983, for short term commercial operations. This agreement called **Short Term Trade related Debt Facility** obtained a commitment from international banks for an amount of up to US$ 1,700 million.

4) **Amendments**

a) Amendment of financial terms of the 1983-1984 Restructuring agreement and 1983 New Money Loan. This amendments are included in the Agreement of November 1st, 1985.

b) Amendment of financial terms of the 1983-1984 Restructured Agreement, 1985-1987 Restructuring Agreement, 1983 New Money Loan, 1984 New Money Loan and 1985 New Money Loan. This amendments are included in the Agreement of June 17, 1987.

5) **FMI Loans**

a) Stand By: SDR 500 million (Disbursements in 1983-1984)
b) Compensatory Facility: SDR 295 million (Disbursements in 1983)
c) Extended Fund Facility: SDR 750 million (Disbursements in 1985-1988)
d) Compensatory Facility: SDR 70.6 million (Disbursements in 1985).

6) **Structural Adjustment Loan of World Bank**

a) SAL I: US$ 250 million (Disbursements in 1985-1986)
b) SAL II: US$ 250 million (Disbursements in 1986-1987)
c) SAL III: US$ 250 million (Disbursements in 1987-1988).

The agreements mentioned above are included in the external debt figures of this document. The following are the main terms of this agreements.

1. **Restructuring Agreements**

1 a) **1983-1984 Restructuring:**

i) Initial Terms.
Commitment Date: January-March, 1984.
Amount: US$ 3,140 million (Public sector and financial private sector).
Maturity: 8 years (13 consecutive quarter-annual installments starting the first quarter 1988 and ending the first quarter 1991).
Grace Period: 4 years counted from the date of signing the individual contracts.
Interest Rate: LIBOR + 2 1/8% per annum or PRIME +2% per annum (quarterly payments).
Facility Commission: 1 1/4%.

ii) Changes for Amendments of November 1st, 1985.
Interest Rate: LIBOR + 1 3/8% per annum (semi-annual payments). The PRIME Rate was eliminated.
All conditions not amended in the original contract remain in effect.

iii) Changes for Amendments of June 17, 1987.
Interest Rate: LIBOR + 1% per annum (annual payments from 1988 to 1991 and semi-annual from 1992 to 2002).
Maturity: 18 years (20 consecutive semi-annual installments starting in 1993 and ending in 2002).
Grace Period: 9 years counted from the date of signing the individual contracts.

1 b) **1985-1987 Restructuring**

i) Initial Terms.
Commitment Date: April-June 1986.
Amount: US$ 4,500 million (Public sector and financial private sector).
Maturity: 12 years (14 semi-annual installments starting in 1991 and ending in 1998).

Grace Period: 5 years counted from the date of signing the individual contracts.
Interest Rate: LIBOR + 1 3/8% per annum.
Facility Commission: 1/2%.

ii) Changes for Amendments of June 17, 1987.
Interest Rate: LIBOR + 1% per annum (annual payments from 1988 to 1992 and semi-annual from 1993 to 2002).
Maturity: 16 years (20 consecutive semi-annual installments starting in 1993 and ending in 2002).
Grace Period: 7 years counted from the date of signing the individuals contracts.

1 c) **Paris Club 1985-1986**
Commitment Date: January-April 1986.
Amount: US$ 224 million.
Maturity: 65% (US$ 145,5 million) in 7 years (8 semi-annual installments starting 09.03.89 and ending 03.31.93); 35% on the original due date.
Grace Period: 3 1/2 years aproximately.
Interest Rate: From Fixed 3% per annum to cost –of– Funds Rate plus 1/2%.

1 d) **Paris Club 1987-1988**
Commitment Date: July-October 1987.
Amount: US$ 174.6 million.
Maturity: 85% (148.4 million) in 8 years (8 semi-annual installments starting 08.15.91 and ending 02.15.95); 10% (US$ 17.5 million) on 03.31.89; and 5% on the original due date.
Grace Period: 4 years aproximately.
Interest Rate: From Fixed 1.8% per annum to cost –of– Fund Rate plus 1/2%.

1 e) **1988-1991 Restructuring**
Commitment Date: The same dates of 1985-1987 Restructuring Agreements (April-June 1986).
Amount: US$ 1,500 million (Public sector and financial private sector).
Maturity: 14 years (20 semi-annual installments starting in 1993 and ending in 2002).
Grace Period: 5 years counted from the date of signing the individual contracts.
Interest Rate: LIBOR + 1% per annum (annual payments from 1988 to 1992 and semi-annual from 1993 to 2002).

2. **New Money Loans**

2 a) **1983 New Money Loan**

i) Initial Terms.
Commitment Date: 07.28.83.
Amount: US$ 1,300 million.
Maturity: 7 years (13 consecutive quarter-annual installments from 07.28.87 to 10.28.90.
Grace Period: 4 years.
Interest Rate: LIBOR + 2 1/4% per annum or PRIME + 2 1/8% per annum (quarterly payments).
Facility Commission: 1.25%.

ii) Changes for Amendment of November 1st, 1985.
Maturity: 13 years (12 consecutive quarter-annual installments begining on 01.10.88 and 10 consecutive semi-annual installments begining on 07.10.91).
Grace Period: 5 years.
Interest Rate: LIBOR + 1 3/4% per annum or PRIME + 1 1/2% per annum (semi-annual payments).
All conditions not amended in the original contract remain in effect.

iii) Changes for Amendment of June 17, 1987.
Interest Rate: LIBOR + 1 1/8 per annum. The PRIME Rate was eliminated. (
ments from 1988 to 1990).
Maturity: 13 years (Installments from 1991 to 1996).
Grace Period: 8 years.

2 b) **1984 New Money Loan**

i) Initial Terms.
Commitment Date: 06.24.84.
Amount: US$ 780 million.
Maturity: 9 years (17 consecutive quarter-annual installments from 1989 to 1993).
Grace Period: 5 years.
Interest Rate: LIBOR + 1 3/4% per annum or PRIME + 1 1/2% per annum.
Facility Commission: 5/8%.

ii) Changes for Amendment of June 17, 1987.
Interest Rate: LIBOR + 1 1/8% per annum. The PRIME Rate was eliminated. (Annual payments from 1988 to 1990).
Maturity: 9 years. (Installments from 1991 to 1993).

2 c) **1985-1986 New Money Loan**

i) Initial Terms.
From International Banks
Commitment Date: 11.01.85.
Amount: US$ 785 million.
Maturity: 10 years. (11 semi-annual installments from 1991 to 1996).
Grace Period: 5 years.
Interest Rate: LIBOR + 1 5/8% per annum or PRIME + 1 1/4% per annum (semi-annual payments).
Facility Commission: 1/2%.
World Bank Co-Financing (50% guarantee by World Bank).
Commitment Date: 11.01.85.
Amount: US$ 300 million.
Maturity: 12 years (4 semi-annual installments from 1996 to 1998).
Grace Period: 10 years.
Interest Rate: LIBOR + 1 5/8% per annum or PRIME + 1 /14% per annum (semi-annual payments).
Facility Commission: 1/2%.

ii) Changes for Amendment of June 17, 1987.
– Direct Bank Loan and World Bank Co-Financing:
Interest Rate: LIBOR + 1 1/8%. The PRIME Rate was eliminated. (Annual Payments from 1988-1990).
All conditions not amended in the original contracts remain in effect.

3. **Short Term related Debt Facility**

Commitments: US$ 1,700 million aproximately.

a) **1983-1984**
Maximum Interest Rate: LIBOR + 1 1/2% per annum or PRIME + 1 3/8% per annum.
Facility Commission: 1/4% per annum.

b) **Extension as of June 30, 1985**
Maximum Interest Rate: LIBOR + 1 1/2% per annum or PRIME + 1 3/8% per annum.
Facility Commission: 1/4% per annum.

c) **Extension as of December 31, 1985**
Maximum Interest Rate: LIBOR + 1 3/8% per annum or PRIME + 1 1/8% per annum.
Facility Commission: 1/8% per annum.

d) **1986-1987**
Maximum Interest Rate: LIBOR + 1 3/8% per annum or PRIME + 1 1/8% per annum.
Facility Commission: 1/8% per annum.

e) **1988-1989**
Maximum Interest Rate: LIBOR + 1 3/8% per annum or PRIME + 1 1/8% per annum.
Facility Commission: 1/8% per annum.

4. **Amendments**

Were incorporated in the above three sections.

5. **International Monetary Fund**

5 a) **Stand By SDR 500 million**
Commitment Date : 01.10.83
Maturity : 8 years
Grace Period : 3 years
Interest Rate : 9.3% per annum (annual average)

5 b) **Compensatory Facility SDR 295 million**
Commitment Date : 01.10.83
Maturity : 5 years
Grace Period : 3 years
Interest Rate : 6.6% per annum

5 c) **Extended Fund Facility SDR 750 million**
Commitment Date : 08.30.85
Maturity : 8 years
Grace Period : 3 years
Interest Rate : – Fixed 6% per annum for own resources and
– Floating Rate for third's resources

5 d) **Compensatory Facility SDR 70.6 million**
Commitment Date : 08.20.85
Maturity : 5 years
Grace Period : 3 years
Interest Rate : Floating Rate

6. **World Bank's Structural Adjustment Loans**

6 a) **SAL I: US$ 250 million**
Commitment Date : 10.25.85
Maturity : 15 years
Grace Period : 3 1/2 years
Interest Rate : IBRD's average loans

6 b) **SAL II: US$ 250 million**
Commitment Date : 12.14.86
Maturity : 15 years
Grace Period : 3 1/2 years
Interest Rate : IBRD's average loans

6 c) **SAL III: US$ 250 million**

Commitment Date	:	12.16.87
Maturity	:	17 years
Grace Period	:	4 years
Interest Rate	:	IBRD's average loans.

STATISTICAL ANNEX

DEFINITIONS

1986 FLOWS

Amount Contracted:

External credits contracted during 1986.

Amount Disbursed:

Disbursements or allocations of foreign credits during 1986, originating from: a) Credits contracted in 1986 and b) Credits contracted in previous years with undisbursed balances.

Amortization:

Periodic repayments of principal of external credits

Interest:

Payments representing the financial cost paid for an external credit.
Also included are of commissions and other expenses.

Annulled Disbursements:

Partial or total annulments of undisbursed balance of external credits.

SITUATION AT DECEMBER 31, 1986

Net Balance:

Total amount disbursed and outstanding as of December 31, 1986.

Undisbursed Balance:

Part of external credits not yet disbursed as of December 31, 1986, corresponding to credits contracted during 1986 as well as those contracted in previous years.

Gross Balance:

Sum of net balance plus undisbursed balance. This is a potential debt since it includes amount that have not yet been constituted into external debt.

EXTERNAL DEBT SERVICE:

Represents the payment of: amortizations and interest projected on the basis of the Gross Balance at 31 December 1986. Interest includes the payment of commissions and other similar payments. These projections include a tentative program of utilization of each one of the external credits constituting the Undisbursed Balance at 31 December 1986.