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Nicaragua: Debt Owed Colombian Government To Be Converted To 40-year Bond

by Deborah Tyroler

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On Aug. 23, spokespersons for the Colombian Central Bank said Nicaragua's \$46.9 million debt to Colombia, accumulated since 1983, is to be converted to a 40-year zero-coupon bond issued by the US government. The debt is comprised of \$17.8 million worth of imports from Colombia, \$7.1 million in loans deposited in the Nicaraguan Central Bank, and \$22 million in interest arrears. After the debt issue with Bogota is settled, the Nicaraguan government will obtain \$10 million from Colombia to pay debt service arrears to multilateral financial institutions. The arrears must be paid in order for Nicaragua to regain eligibility status for obtaining new loans from the International Monetary Fund, World Bank, and other multilateral institutions. The Colombian government deposited the \$10 million in a US Federal Reserve account. The Colombian Central Bank's decision contradicts recent statements by Foreign Minister Luis Fernando Jaramillo during a Central American tour. Jaramillo had said his government would write off the Nicaraguan debt. (Basic data from AFP, 08/23/91)

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