Uruguayan Government Approves $208 Million Worth Of Debt-investment Swaps

Barbara Khol
Uruguayan Government Approves $208 Million Worth Of Debt-investment Swaps

by Barbara Khol
Category/Department: General
Published: Tuesday, August 6, 1991

On Aug. 1, the government's Planning and Budget Office (OPP) approved 22 of 43 debt-investment swap proposals submitted months ago by foreign companies. The Central Bank had 15 days to approve and authorize investment amounts and timing. Assuming the implementation of all 22 projects, the government's foreign debt would be reduced by $208 million. The 22 eligible proposals include the construction of three five-star hotels in Montevideo and Punta del Este by the Spanish company Melia, the French consortium Fertin, and the multinational consortium Alto de Reyes. Another proposal involves a forestry product enterprise covering 58,000 ha. in Paysandu and Rio Negro municipalities, on the northwestern coast. Several food processing ventures were approved, including the construction of a soda bottling plant by a US company. When direct investment is added to the discounted debt paper amount ($132 million), the foreign companies plan to invest a total of $300 million. In order to implement the debt-equity swap program, the federal government requested authorization by the legislature two months ago for increasing treasury bond offerings in foreign currency up to $1.3 billion. Debt-equity swaps were included as part of the government's restructuring agreement with foreign commercial banks early this year. At that time, the government implemented a buy-back of $633 million worth of debt held by the banks at 57% of face value, and reached terms on the refinancing of about $1.5 billion in outstanding debt. On Aug. 2, Economy Minister Enrique Borga said the Central Bank review commission includes officials from the Economy Ministry and the OPP. Debt-investment swaps are to be kept at a maximum $40 million per year. Of the 22 projects' $132 million total, $53 million pertain to the first year, $43 million to the second year, and $36 million to subsequent years. At present, Uruguayan debt paper is selling for 80% of face value on secondary markets. (Basic data from EFE, 08/01/91; AFP, 08/02/91)

-- End --