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INSTRUCCIONES
DEL AÑOXIII

MINISTERIO DE ECONOMÍA Y FINANZAS
REPÚBLICA ORIENTAL DEL URUGUAY

IADB Prepayment and access to Contingent Credit Line

On March 15th 2013, Uruguay signed with the IADB a Policy Loan with differed disbursement option that follows the recently prepayment of loans done with that institution. These two transactions constitute the same phase of the strategy of reduced amortizations of short term (in this case with a cost above the Republic cost of funding) and deepen the financial buffer through contingent credit lines.

Uruguay is the first country to use the new “Prepayment and Reallocation” program launched by the IADB, which enables the access to new loans with the resources generated by the prepayment of loans outstanding; and is also the first to use a Policy Loan with a deferred disbursement option.

On January 2013 the Government prepaid loans with the IADB with maturities below 2024 for a nominal value of USD 519 million. The transaction was financially advantageous for the country and allowed savings in terms of present value of around USD 39.2 million comparing the actual funding cost of the Republic in the international market at the same tenor.

The debt prepayment is part of the strategy implemented by the government to diminish the roll over risk of the Central Government debt. Through this operation the average time to maturity of the debt increased, smoothing the amortization debt profile. Additionally, as the loans prepaid were denominated in foreign currency, the prepayment supports the achievements already made in terms of the debt dedollarization.

The transaction was also important to support the country pre-funding policy. Under the new IADB program, the prepayment allows the country to access to a new policy loan with a deferred disbursement option for USD 550 million. This contingent line is for a rapid disbursement and can be used to avoid the negative impact of a crisis in the financial international markets. Along with the other contingency lines previously negotiated by the country, this new line constitute a financial buffer in case of external shocks that eventually impact the access to the international markets for the country.