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EXTERNAL DEBT IN THE ESCWA REGION



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Preface

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Executive summary

Debt forgiveness and rescheduling were the main factors behind the external debt sustainability that a number of ESCWA countries were able to achieve during the past decade. Prior to this development, ESCWA indebted countries were having difficulties meeting their debt service obligations. For the most heavily indebted countries, economic growth will in the future years depend on a substantial reduction of the debt.

The improvement of the external debt management continues to be an area of high priority in the ESCWA region. A balance needs to be struck between the ability of ESCWA countries to service their debt obligations and meet their financing needs for development.

Measured by the absolute size of the debt, ESCWA countries borrowing (excluding GCC countries) have increased during the past decade from US\$ 69 billion in 1990 to US\$ 77 billion in 1998. Despite the increase in debt stock, the share of ESCWA countries' debt out of the total debt of developing countries fell steadily from 4.8 per cent in 1990 to 3.1 per cent in 1998.

A number of factors are considered to have led to the rise in debt despite debt forgiveness and rescheduling that a number of ESCWA countries enjoyed including the lack of sustained macroeconomic adjustment policies; inadequate management of the debt; and heavy expenditures on security and defense, averaging around 30 per cent of the budget's current expenditures in most ESCWA member countries.

GCC countries as well as ESCWA region's international banks and development finance institutions played an important role in meeting financial requirements of ESCWA-MDE during the 1970s and most of the 1980s. However, both the significant drop in the oil revenues of the GCC countries in the late 1980s and the implications of the Gulf crisis of 1990/1991 affected significantly the capabilities as well as the willingness of these creditors to arrange lending packages to ESCWA-MDE.

By the end of 1998, the ratio of debt-to-GNP remained within "tolerable" levels (40 per cent or less) for Egypt (37 per cent), Lebanon (41 per cent) and Oman (25 per cent). On the other hand, it exceeded 100 per cent for Jordan (147 per cent), the Syrian Arab Republic (138 per cent) and Yemen (105 per cent). However, the debt-to-GNP ratio declined over the period 1990-1998 for all ESCWA countries.

While the external debt of a number of ESCWA countries declined considerably during the past decade, it exceeded by far the export earnings of these countries. Egypt's ratio of external debt to exports stood at 167 per cent in 1998, decreasing from 241 per cent in 1990. The ratios of debt-to-exports for both Jordan and Yemen also decreased, from 266 and 210 per cent respectively to 155 and 139 per cent. On the other hand, Lebanon's debt-to-exports ratio increased from 56 per cent to 238 per cent, while that of the Syrian Arab Republic increased from 313 per cent to 422 per cent. Oman's ratio decreased only slightly, from 46 per cent to 45 per cent.

Debt service payments constituted a significant burden on the government budget of most ESCWA member countries during most of the past decade. The ratio of debt service payments to budget expenditures for ESCWA countries was on the decline during most of the nineties, reaching 8.5 per cent in 1997, before increasing to 13.6 per cent in 1998. During the period 1990 to 1998, the ratio reached its highest level for Jordan, averaging around 38 per cent, followed by Egypt (15 per cent) and Oman (13 per cent). It is noteworthy, that the substantial decline in Egypt's debt service ratio that took place during the period 1990 to 1992 was the result of debt forgiveness and rescheduling that Egypt enjoyed in the wake of the Gulf crisis.

More pronounced has been the ratio of debt service payments to the budget current expenditures. Jordan ranked first with a ratio averaging around 46.8 per cent during the past decade, followed by Egypt (19.1 per cent) and Oman (14.6 per cent). For all ESCWA countries combined, the ratio decreased from 30.8 per cent in 1990 to 18.8 per cent in 1998. The ratio, however, was significantly low in 1994 at 10.9 per cent, increasing only slightly during the next three years to 11.5 per cent in 1997.

Both the ratio of debt service payments to exports and the ratio of international reserves to total external debt of the ESCWA countries remained within “tolerable” levels compared with those of most other developing countries. It is noteworthy, however, that the first ratio deteriorated during the second half of the 1990s, increasing from 9.5 per cent in 1995 to 12.1 per cent in 1998, while the second ratio improved during most of the past decade, increasing from 16.2 per cent in 1990 to 46.7 per cent in 1997, before falling to 41.6 per cent in 1998.

Bilateral debt constitutes a substantial share of ESCWA countries total external debt. The ratio of bilateral debt-to-total external debt rose from 52.1 per cent in 1990 to 62.3 per cent in 1994 before declining to 57 per cent in 1998. By the end of 1998, bilateral debt represented about 71 per cent of Egypt’s total external debt but only 5.2 per cent of Lebanon’s total debt. Multilateral debt, on the other hand, which accounted for 9.5 per cent of the total external debt of ESCWA countries, has grown steadily to reach 11.3 per cent by the end of 1998, averaging 10.3 per cent during the whole period of 1990-1998.

The average share of long-term debt-to-total external debt of the ESCWA countries started increasing from around 84.3 per cent in 1990, reaching a peak of 87.2 per cent in 1993 and then declining to 80.2 per cent in 1998. By the end of 1998, Jordan ranked first with a ratio of 87.5 per cent, followed by Yemen and Egypt (86.7 per cent), the Syrian Arab Republic (72.8 per cent), Lebanon (70.9 per cent) and Oman (60.5 per cent).

With the exception of Lebanon, almost all of the long-term debt of the member countries is in the form of public external debt. In fact, by the end of 1998, the ratio of public-to-total long-term debt stood at 100 per cent for both the Syrian Arab Republic and Yemen, at 99.9 per cent for both Egypt and Oman, at 99.6 per cent for Jordan and at 83.5 per cent only for Lebanon.

The short-term debt of ESCWA countries is mainly trade finance-related debt. The average share of short-term debt-to-total external debt of the ESCWA countries increased from around 15.3 per cent in 1990 to 18.8 per cent in 1998. By the end of 1998, the short-term-to-total debt ratio reached 38.5 per cent for Oman (a three-fold increase from its 1990 level) and 27.2 per cent for the Syrian Arab Republic (a two-fold increase). On the other hand, the ratio fell from 12.7 in 1990 to 7 per cent in 1998 for Jordan, from 79.9 to 29.2 per cent for Lebanon, and from 18.8 to 5.1 per cent for Yemen.

A large part of the external debt of most indebted ESCWA countries has been concessional with soft terms loans. Concessional debt of ESCWA member countries amounted to around 60 per cent of their total external debt in 1998, up from 57 per cent in 1995 and 46 per cent in 1990.

INTRODUCTION

Recent crises have revealed the key role that the size and composition of a country's external debt play in determining its vulnerability to adverse shocks. The East Asian crisis, for example, was a result of the unsustainable level and structure of the external debt and not weak fundamentals. In fact, the East Asian countries that were most severely hit by the crisis were the ones that had the strongest macroeconomic fundamentals in the world.

This paper examines the evolution of ESCWA countries external debt with the aim of identifying whether the debt deviated from a desirable profile, rendering ESCWA countries vulnerable to financial risks.

By following a sound debt management based on limiting the size of the external debt and avoiding the build-up of short-term loan obligations, a country can insulate itself from adverse external shocks that could otherwise trigger a financial crisis. Excessive external debt can make a country susceptible to macro risk. However, even when the level of the debt is acceptable, a country can still be exposed to a financial crisis if the composition of the debt is biased toward short-term obligations or bunching maturities.¹

The plan of the paper is as follows. Section II provides an overview of the current situation of the external debt problem of developing countries and the factors behind the increase in the debt burden. Section III describes the development of the external debt problems of ESCWA member countries while Section IV provides an in-depth analysis of the structure of the ESCWA member countries external debt. Section V reviews four case studies, namely Egypt, Jordan, Lebanon and Yemen. Concluding remarks are presented in Section VI.

¹ A simple guideline for policy makers in developing countries is to be able to live for one year without foreign borrowing. This requires that the foreign exchange reserves exceed the scheduled amortization of the external debt during the following year.

I. THE EXTERNAL DEBT PROBLEM IN GLOBAL CONTEXT

A. REVIEW OF CURRENT SITUATION

The world debt crisis came to the fore in 1982 when Mexico had difficulties in raising additional funds from international banks and had to suspend its debt service payments.² As a result, creditor banks devised innovative techniques with which to reduce their exposure to the developing countries (by which, in effect, selling off or swapping unwanted loans), while at the same time setting aside adequate amounts of reserves against default on the loans they retain. The world debt crisis emerged as the culmination of rapid increases in lending, coinciding first with very low interest rates in real terms in the late 1970s and early 1980s as international inflation gathered steam, followed by an interest rate shock, as the developed countries began their economic correction process. For the oil-importing developing countries, the rise in the oil prices in 1979/80 added to balance of payments pressures; and the subsequent rapid slippage in the prices of their export commodities added another set of external shocks by 1982, as international recession sets in. Suddenly, the countries that the international banks had perceived as being low credit risk were viewed as uncreditworthy and new lending almost dried up.

The events of the early 1980s were historically unprecedented. The sharp rise in oil prices in 1979/1980 re-ignited global inflationary pressures to which most developed countries responded with the policy prescriptions of the newly fashionable "monetarism". Essentially, this involved smothering inflation by dampening domestic demand with huge interest rate hikes. For the developing countries, this combination of events proved catastrophic. The demand for, and hence the price of their exports collapsed as their main consumers in the developed countries slid into a politically engineered recession. Interest rates on outstanding debt rocketed—the bulk of developing countries debt is denominated in United States dollar and carries a floating interest rate that reflects prevailing market rates. One after another, developing countries were squeezed into financial crisis.

The international banks, however, were pressed into extending new credits to help service their own loans through concerted debt rescheduling operations. The external debt of developing countries thus continued to increase reaching around US\$ 2.5 trillion in 1998, up by around 79 per cent over 1990 (US\$ 1.4 trillion), and amounting to over 42 per cent of their combined GNP, with debt service payments of over US\$ 316 billion, (table 1).

While the international banks were strengthening their position, their incentive to continue offering any concessions to hard-pressed developing countries was significantly reduced. The indebted developing countries increasingly came to realize that they will be facing decades of austerity during which their economies would remain dedicated to generating the foreign exchange surpluses needed to service an ever-growing debt burden.

The International Monetary Fund, which coordinated many of the negotiations between debtor and creditor countries, has been able to extract promises from debtor countries to implement economic structural adjustment programmes as the quid pro quo for easier repayment terms. Thus, it is claimed, not only has the possibility of widespread default become containable, but also the probability of a dire outcome has been greatly reduced.

² The external debt problems of the former socialist countries of Eastern Europe began earlier, namely in 1981, when for example, Poland could not meet its debt service payments and international financial markets started assessing their lending to that group of countries.

TABLE 1. DEVELOPMENT OF EXTERNAL DEBT OF DEVELOPING COUNTRIES, 1990-1998

	1990	1991	1992	1993	1994	1995	1996	1997	1998
	(US\$ billion)								
Total external debt	1 444	1 524	1 593	1 748	1 899	2 043	2 095	2 326	2 536
Total debt service payments	161	160	163	175	198	240	278	312	316
GNP	4 121	4 031	4 180	4 678	4 995	5 693	6 241	6 458	6 018
(Percentage)									
External debt/GNP	35.0	37.8	38.1	37.4	38.0	35.9	33.6	36.0	42.1
External debt of ESCWA countries/external debt of developing countries*	4.8	4.7	4.3	3.9	3.8	3.7	3.6	3.1	3.1

Source: World Bank, *Global Development Finance*, various issues.

* ESCWA member countries are the six countries for whom reliable data were available, namely Egypt, Jordan, Lebanon, Oman, Syrian Arab Republic and Yemen.

B. CAUSES OF EXTERNAL DEBT PROBLEMS OF DEVELOPING COUNTRIES

To understand the changing nature of the debt problems, it is important to be clear about its causes. Borrowing external funds to finance economic development is not a problem by itself, nor it is a recent phenomenon. The spectacular growth of the United States through 1914, for example, was almost wholly paid for with European savings, i.e., external borrowing. Difficulties arise when, for whatever reason, accumulated external borrowing outstrips a country's "debt payment capacity", i.e., its ability to service the debt. This could happen either because a country borrows in excess of its capacity or because changing circumstance reduce this capacity.

Mismanagement is another cause. In some developing countries, external funds were borrowed to eventually finance the importation of luxury consumer items for high-income elites, or military hardware rather than the importation of capital equipments for development. Where capital projects have been financed, they have sometimes been high prestige projects of dubious economic value. Most troubling of all, external debt has sometimes been used to maintain an overvalued exchange rate, thus allowing influential and wealthy individuals to buy artificially cheap foreign exchange for investment abroad.

The enormous recourse to fresh borrowing was encouraged by the very low cost it entailed in terms of real interest rates. Inflation at the time was high and nominal interest rates were at a modest level. Certain developing countries decided, therefore, to borrow not only to finance their current account deficits but also to borrow more than it was required for straight forward balance of payments needs.

Following the first oil price increase in 1973/74, the monetary and fiscal policies pursued by the developed countries were largely aimed at stimulating economic development. But after the second oil price increase in 1979/80, the priority changed to that of containing and reducing inflation. Stimulating economic growth was no longer an immediate priority. The modified monetary policy stance brought about increases in interest rates, both nominal and real. The increases were unprecedented in the postwar era, not to speak of before. The high interest rates led directly to a dramatic increase in the debt servicing burden of many developing countries. Their recourse to international bank loans with market-related floating interest rates had made them particularly vulnerable to this radical change in the world economy. Compounding their problems were the relatively short maturities on most international bank loans, compared with official development assistance loan. In other words, principal repayments or amortization was concentrated on a shorter period.

During that period, a specific type of financial cycle developed. Official sources of lending were dominant up to the mid-1970s, then the private (mainly commercial bank) lending took over the leadership of lending until about the mid-1980s, then the cycle went back to where it began. During this shift in the origin of resources, the roots of the debt crisis took hold in the form of intensive lending by the international

commercial banks. The deterioration in the external debt situation of the developing countries was clearly demonstrated during that period by the continuous decline in net flows. Furthermore, as the debt service burden kept on mounting, net transfers turned negative, starting in 1984. This meant in effect that a real transfer of resources in reverse was taking place, from the developing to the developed countries.

Considering the above-mentioned, the causes of the external debt problems would then be defined as causes of two different kinds: internal and external. The former includes, for example, the pattern of development; imbalances in macro-economic policies; and, inefficient public sector performance, including, wasteful spending and corruption. The latter includes protectionism of developed countries against exports of developing countries; developed countries macro-economic policies; falling prices of export commodities and falling terms of trade of developing countries; and, high interest rates. In balance, there has been no doubt that the external forces rank dominant as causes of the external debt problems of the developing countries.

II. DEVELOPMENT OF THE EXTERNAL DEBT PROBLEMS OF ESCWA MEMBER COUNTRIES

Total combined external debt of ESCWA member countries for which reliable data are available³ is estimated to have amounted to around 3.1 per cent of total external debt of all developing countries in 1998, (table 1). It represented neither a major crisis nor an insurmountable problem. On a country-by-country basis, however, the situation for a number of ESCWA countries, especially those with more diversified economies, is far more serious. These countries have been facing difficulties in meeting payment schedules without further restructuring their debt. Some of them have already faced unpopular socio-economic decisions as a result of their external debt.

Total combined external debt of all ESCWA member countries was estimated at around US\$ 30 billion in the mid-1970s increasing to around US\$ 45 billion in 1980 and to approximately US\$ 160 billion in 1990,⁴ an increase of around 433 per cent in just 15 years. By the end of 2000, the combined external debt of ESCWA member countries was estimated at around US\$ 170 billion.⁵ A number of factors are considered to have led to the rise in the external debt of ESCWA member countries. These factors included, for example, lack of a rational economic policy, which led to increased borrowing to finance balance of payments deficits or activities of public sector enterprises with low or no rate of return. Poor management resulted in runaway inflation, currency devaluation, and capital flight, confusing—and on many occasions contradicting—monetary and fiscal policies. Other factors that have aggravated the situation have been heavy expenditures on security and defense, averaging around 30 per cent of the budget's current expenditures in most ESCWA member countries.

The sharp fall in the exchange rate of the United States dollar relative to major international currencies during the second half of the 1980s caused a rise in portions of ESCWA member countries' external debt denominated in currencies other than the United States dollar and consequently in the countries' total external debt.⁶

Other factors that have also led to the rise in the external debt of ESCWA member countries have been the coupling between short-term availability of financial resources and long-term financial requirements of the economies of ESCWA member countries, with the time horizon being different in each case. The financial surpluses of the so-called OPEC-decade between 1973/74 and 1983/84 were a one-time historical experience, accumulated in a very short period of time. Owing to the absence of institutional preparedness on part of both the GCC countries⁷ and ESCWA countries with more diversified economies (ESCWA-MDE), a major portion of the surpluses could not be invested in the ESCWA region, (table 2).

Indeed, around 82.5 per cent of financial surplus of Arab oil-exporting countries, including GCC countries, were invested in developed countries (72.4 per cent) and offshore financial centers (10.1 per cent), with around two thirds of the investments were in the form of bank deposits in government and financial papers of these countries.

³ These are: Egypt, Jordan, Lebanon, Oman, Syrian Arab Republic and Yemen.

⁴ Including private debt of the GC countries, estimated at around US\$ 52 billion, but excluding debt of Iraq, estimated in 1989 at around US\$ 65 billion.

⁵ For mid-1970 to 1990, ESCWA, Review of Developments and Trends in the Monetary and Financial Sectors in the ESCWA Region, various issues; for 2000, calculated from Middle East Capital Group, Weekly Update, various issues.

⁶ In the 1990s, however, the opposite was true.

⁷ These are: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

TABLE 2. FOREIGN ASSETS OF ARAB OIL-EXPORTING COUNTRIES*,
1983-1997
(In billions of US dollars)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997 [†]
United Kingdom (total)	42.8	39.8	44.2	43.2	46.4	47.3	44.2	35.3	33.2	34.5	35.2	33.4	35.8	33.4	31.2
Sterling Bank deposits	3.6	3.5	4.4	4.6	5.2	4.1	3.5	2.5	1.4	2.5	1.8	2.2	2.3	2.1	2.0
Eurocurrency bank deposits	32.4	30.9	32.8	29.9	28.7	31.3	30.0	24.9	27.9	26.5	28.2	27.2	28.0	25.1	24.0
Government papers	2.5	1.7	2.1	3.0	4.1	3.8	2.8	2.6	1.6	0.9	1.3	0.3	1.3	2.8	2.1
Other assets	4.1	3.8	4.9	5.5	8.4	8.1	7.9	6.0	2.3	4.6	3.9	3.7	4.2	3.4	3.1
% of total assets	14.2	13.3	13.7	12.7	13.4	14.4	13.9	13.3	14.1	15.1	15.4	14.9	15.2	16.1	16.0
United States (total)	63.7	62.6	60.3	57.6	50.2	34.5	30.6	22.5	14.6	18.9	19.2	20.3	24.5	22.4	17.4
Bank deposits	13.1	15.9	16.4	16.9	15.7	11.2	11.1	5.3	2.4	3.9	4.1	4.5	4.5	4.2	2.1
Government papers	25.7	23.4	22.3	20.8	16.2	18.1	16.2	14.1	9.3	13.2	13.1	13.7	13.4	17.1	10.2
Other assets	24.9	23.3	21.6	19.9	18.1	5.2	3.3	3.1	2.9	1.8	2.0	2.1	6.6	1.1	5.1
% of total assets	21.1	21.0	18.7	16.9	14.4	10.5	9.6	8.5	6.2	8.2	8.4	9.0	10.4	10.8	8.9
Other developed countries (total)	93.1	92.2	107.7	124.3	133.0	129.0	124.2	103.0	92.7	90.2	86.3	85.4	88.3	88.0	92.5
Domestic currency bank deposits	5.6	5.2	6.0	8.4	8.8	9.2	10.3	7.3	3.2	4.2	5.2	4.5	6.3	6.1	7.1
Eurocurrency bank deposits	35.2	35.8	38.8	34.4	35.0	36.8	31.3	24.2	19.2	15.2	18.3	19.3	12.2	12.8	8.3
Government papers	31.4	22.6	27.0	28.8	29.8	28.3	27.8	22.3	22.2	23.2	24.5	26.3	25.5	29.0	28.1
Other assets [‡]	20.9	28.7	35.8	52.9	59.3	54.7	54.5	49.2	48.1	47.6	38.3	35.3	44.3	40.1	49.0
% of total assets	30.8	30.7	33.4	36.6	38.3	39.3	39.1	38.9	39.5	39.4	37.7	38.1	37.4	42.4	47.7
IMF and World Bank	26.7	23.9	26.1	29.6	30.1	32.2	33.7	33.5	30.8	30.8	31.2	31.2	31.2	32.0	32.0
Credit to non-banks	5.7	6.3	8.4	9.1	9.4	10.2	12.2	5.1	2.2	3.2	3.5	3.4	4.2	2.2	0.8
Placement with developing countries	42.9	43.8	45.2	45.2	45.2	45.0	45.7	46.0	40.2	40.2	41.2	38.3	38.2	14.6	2.5
Bank deposits in offshore centres	27.0	31.4	29.9	31.0	32.9	30.0	27.3	19.2	12.1	11.2	12.2	12.3	13.4	14.7	18.5
Total identified foreign assets [*]	301.9	300.0	321.8	340.0	347.2	328.3	317.9	264.6	231.9	229.0	228.8	224.3	235.6	207.3	194.9

TABLE 2 (continued)

	1983		1984		1985		1986		1987		1988		1989	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Portfolio structure														
Bank deposits	22.3	7.4	24.6	8.2	26.8	8.3	29.9	8.8	29.7	8.6	24.5	7.5	24.9	7.8
Eurocurrency deposits	67.6	22.4	66.7	22.2	71.6	22.2	64.3	18.9	63.7	18.3	68.1	20.7	61.3	19.3
Government papers	59.6	19.7	47.7	15.9	51.4	16.0	52.6	15.4	50.1	14.4	50.2	15.3	46.8	14.7
Placements with developing countries	42.9	14.2	43.8	14.6	45.2	14.0	45.2	13.3	45.2	13.0	45.0	13.7	45.7	14.4
Other assets ^y	49.9	16.5	55.8	18.6	62.3	19.4	78.3	23.0	85.8	24.7	68.0	20.7	66.0	20.8
Credit to non-banks	5.7	1.9	6.3	2.1	8.4	2.6	9.1	2.7	9.4	2.7	10.2	3.1	12.2	3.8
IMF and World Bank	26.7	8.8	23.9	8.0	26.1	8.1	29.6	8.7	30.1	8.7	32.3	9.8	33.7	10.6
Bank deposits in offshore centres	27.0	8.9	31.4	10.4	29.9	9.3	31.0	9.1	32.9	9.4	30.0	9.1	27.3	8.6
Total	301.9	100.0	300.0	100.0	321.8	100.0	340.0	100.0	347.2	100.0	328.3	100.0	317.9	100.0
Minus														
Official Foreign reserves (excluding gold)	41.6		36.5		41.1		34.7		38.3		35.2		30.3	
IMF and World Bank	26.7		23.9		26.1		29.6		30.1		32.3		33.7	
Placements with LDCs	42.9		43.9		45.2		45.2		45.2		45.0		45.7	
Total identified foreign assets	190.7		195.8		209.4		230.5		233.6		215.8		208.2	

TABLE 2 (continued)

Portfolio structure	1990		1991		1992		1993		1994		1995		1996		1997	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Bank deposits	15.1	5.7	7.0	3.0	10.6	4.6	11.1	4.9	11.2	5.0	13.1	5.6	12.4	6.0	11.2	5.7
Eurocurrency deposits	48.4	18.2	47.1	20.1	41.7	18.2	46.5	20.3	46.5	20.7	40.2	17.1	37.9	18.2	32.3	16.6
Government papers	39.0	14.7	33.1	14.1	37.3	16.3	38.9	17.0	40.3	18.0	40.2	17.1	48.9	23.6	40.4	20.7
Placements with developing Countries	46.0	17.4	46.3	18.7	40.2	17.6	44.2	18.0	38.3	17.1	38.2	16.2	14.6	7.0	2.5	1.3
Other assets ^{b/}	58.3	22.0	53.3	22.7	54.0	23.6	44.2	19.3	41.1	18.3	55.1	23.4	44.6	21.5	57.2	29.3
Credit to non-banks	5.1	1.9	2.2	1.0	3.2	1.4	3.5	1.5	3.4	1.5	4.2	1.8	2.2	1.1	0.8	0.0
IMF and World Bank	33.5	12.7	33.8	14.4	30.8	13.4	31.2	13.6	31.2	13.9	31.2	13.2	32.0	15.4	32.0	16.4
Bank deposits in offshore centres	19.2	7.2	12.1	5.1	11.2	4.9	12.2	5.3	12.3	5.4	13.4	5.7	14.7	7.1	18.5	9.5
Total	264.6	100.0	234.9	100.0	229.0	100.0	228.8	100.0	224.3	100.0	235.6	100.0	207.3	100.0	194.9	100.0
Minus																
Official Foreign reserves (excluding gold)	16.1		12.2		14.3		15.4		19.3		27.8		48.1		51.0	
IMF and World Bank	33.5		33.8		30.8		31.2		31.2		31.2		32.0		32.0	
Placements with LDCs	46.0		46.3		40.2		41.2		38.3		38.2		14.6		2.5	
Total identified Foreign assets	169.0		142.6		143.7		141.0		135.5		138.4		112.6		109.4	

Source: ESCWA calculation based on various international sources.

* Including GCC countries, Libya and Algeria and excluding Iraq for Lack of data.

a/ Estimate.

b/ Including equities, properties and other assets.

Note: The estimation is that the foreign assets of the GCC countries represented around 88 per cent of total assets of Arab oil-exporting countries.

As has been the case with many developing countries, capital flight from the ESCWA region has been associated with over-valued exchange rates, low or negative real interest rates, and, in general, lack of suitable domestic financial assets with attractive returns. Political considerations and inadequate trust-inspiring economic and financial policies have also played a prominent role in inducing capital flight. With sizeable private financial resources transferred abroad, ESCWA-MDE resorted to foreign borrowing to supplement domestic savings and finance budget and balance of payments deficits.⁸

The external debt of a number of ESCWA-MDE is considered to have assumed serious proportions while the remedies proposed by international financial institutions are threatening their stability and infringing on their sovereignty.

However, during the 1970s and most of the 1980s, sources of an important portion of the external debt of ESCWA-MDE originated from the ESCWA region itself. In fact, the GCC countries as well as ESCWA region's international banks and development finance institutions played an important role in meeting financial requirements of ESCWA-MDE. For example, between 1980 and 1987, ESCWA-MDE were assigned an annual average of around 45 per cent of total Euro market lending of around US\$ 23 billion of the international banks of the ESCWA region.⁹ The estimations are that ESCWA region's international banks accounted in 1987 for around 47 per cent of total ESCWA member countries' syndicated borrowing, compared with only around 20 per cent in 1980. This indicates that these countries increased borrowing during that period from Arab rather than foreign banks and financial institutions¹⁰ which have reduced their lending portfolios to developing countries, including ESCWA member countries, after the outbreak of the World Debt crisis in 1982.

However, both the significant drop in the oil revenues of the GCC countries in the mid 1980s and consequently in the lending portfolios of ESCWA region's international banks, and the implications of the Gulf crisis of 1990/1991 affected significantly the capabilities as well as the willingness of these banks to arrange lending packages to ESCWA-MDE. The creditworthiness of a number of these countries worsened, particularly those that did not enjoy forgiveness of portions of their external debt by the GCC countries and other creditor countries in the wake of the Gulf crisis. Consequently, the lending arrangements of ESCWA region's international banks and development finance institutions to this group of ESCWA member countries dropped significantly. It amounted to an estimated amount of only around US\$ 2 billion during the whole decade.

The government-to-government (soft) lending was not higher than the lending assigned by both ESCWA region's international banks as well as development finance institutions. This lending which was estimated at an average of around US\$ 5 billion annually during the 1980s was estimated to have averaged only around US\$ 500 million during the 1990s.

In light of this development in the government-to-government-lending in the ESCWA region, the amount of the external debt of ESCWA-MDE, originating from within the region, and estimated at around US\$ 20 billion in 1990 or around 29 per cent of these countries' total external debt, dropped in 1998, the latest year for which reliable data is available, to only around US\$ 1.4 billion, or around 2 per cent of these countries to total external debt.

⁸ Survey of Economic and Social Developments in the ESCWA Region, 1990-1991, E/ESCWA/DPD/1992/8.

⁹ ESCWA, Financial Markets and Investment Promotion in the ESCWA Region, E/ESCWA/DPD/1990/2.

¹⁰ ESCWA, Financial Resources Availability and Management in the ESCWA Region, E/ESCWA/DPD/1992/12.

III. STRUCTURE OF ESCWA MEMBER COUNTRIES EXTERNAL DEBT

Table 3 shows that over the past two decades, Egypt was the most indebted country among the six ESCWA member countries, for whom reliable data were available, namely Egypt, Jordan, Lebanon, Syrian Arab Republic and Yemen. However, while Egypt's external debt amounted to around 73.7 per cent (around US\$ 21 billion) of total external debt of the six countries in 1980 (US\$ 28.5 billion), it amounted to only around 41.3 per cent of the total in 1998 (around US\$ 77.4 billion), despite its rise by around 52 per cent (US\$ 10.9 billion) to US\$ 31.9 billion. The decrease in the ratio of Egypt's external debt to the combined external debt of the six ESCWA countries is attributed to the rise in the external debt of the other five ESCWA countries, from a total of US\$ 7.5 billion to around US\$ 45.5 billion (chart 1).

Throughout the past two decades, most of the external debt of the six countries was long-term debt (chart 2). It averaged around 89 per cent for Egypt, 85 per cent for Jordan, 41 per cent for Lebanon, 80 per cent for Oman, 81 per cent for the Syrian Arab Republic and 86 per cent for Yemen, (table 4). The low ratio for Lebanon during the 1980s and early 1990s was the result of the ramifications of Lebanon's civil war (1975-1990). The ratio, however, was on the increase during most of the 1990s, increasing from 27.4 in 1993 to 36.7 per cent, 64.3 per cent and 70.9 per cent in 1994, 1997 and 1998, respectively. In 1998, the ratio for Lebanon came close to those of the other five countries. In fact, it was higher than that of Oman, which amounted to 61.5 per cent only. However, almost all of the long-term debt of the six countries, except Lebanon, was public external debt, averaging around 99 per cent during the past two decades (chart 3). The ratio for Lebanon's long-term debt to total debt which amounted to 54 per cent in 1995, increased to 64 per cent in 1997, and further to 71 per cent in 1998. The Lebanese low ratio which during the period prior to the mid 1990s was far below 50 per cent, was the consequence of a low creditworthiness of a public sector (i.e., government) just coming out from Lebanon's civil war. The ratio, which, however, increased to around 71 per cent in 1998, indicates improvement in the creditworthiness of that sector. Actually, most of Lebanon's external debt during the 1980s and early 1990s was short-term borrowing, averaging around 71 per cent of total external debt. The improvement in the creditworthiness during the second half of the 1990s, enabled Lebanon to increase its long-term borrowing, thus reversing the development of the trend of the ratio of short-term debt to total external debt. The ratio dropped from 46 per cent in 1995 to around 29 per cent in 1998, (table 4H). Another indication of this development has been the increased entrance of Lebanon's private sector as borrower in the international financial markets. Lebanon's private sector borrowing from these markets increased from US\$ 50 million in 1995 to US\$ 410 million in 1996 and to US\$ 885 million in 1997.

Despite the decrease of this debt to US\$ 785 million in 1998, Lebanon's private long-term debt remained higher than the debt of the other five countries combined, (table 4E).

Short-term debt of ESCWA countries is mainly trade finance-related debt. The ratio of short-term debt to total external debt was lowest for each of Egypt, Jordan and Yemen, averaging around 10.5 per cent, 12.9 per cent and 11.4 per cent, respectively, during the past two decades. It was highest for Lebanon (58.7 per cent), followed by Oman (20.4 per cent), and the Syrian Arab Republic (20 per cent). The high Lebanese ratio was a result of the increased activity of Lebanon's private sector, particularly in consequence with the reduced authority of the state during the civil war in the 1980s, on the one hand, and on the other, as a result of the increased involvement of the private sector in the early phases of the reconstruction and development process of the country during the first half of the 1990s. Indeed, the Lebanese ratio of short-term debt to total external debt, which in 1980 amounted to 59.9 per cent, increased to 79.9 per cent in 1990 and further to 83.3 per cent in 1992. With the gradual consolidation of the role of the state in Lebanon's reconstruction and development process, the ratio decreased to 46 per cent in 1995, and further to 35.7 per cent and 29.2 per cent, in 1997 and 1998, respectively. Despite the decrease, the ratio remained higher than that of the other countries, except for Oman, which recorded a ratio of around 38.5 per cent in 1998, i.e., 9.8 per cent and 16.1 per cent over 1997 and 1996, respectively. The high ratios of the two countries reflect the considerably involvement of their private sector in their economies. In fact, with the Lebanese economic system being liberal per se, almost no limits are set for the private sector economic involvement. As concerns Oman, the privatization process of the past few years opened the doors for the Omani private sector to increase its involvement in the Omani economy.

Chart 1. Ratio of external debt of selected ESCWA member countries to their combined external debt, 1980-1998

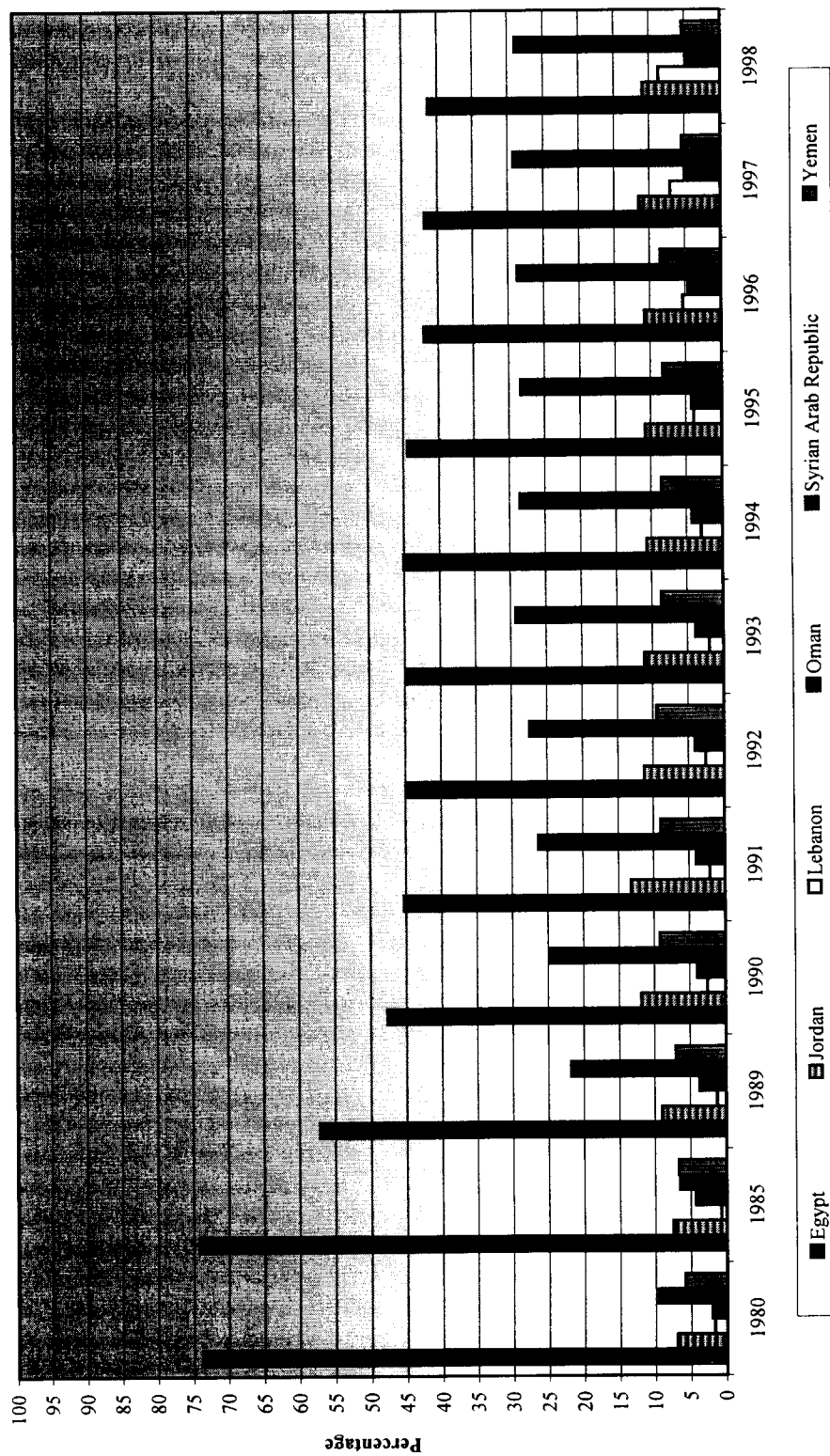


TABLE 3. ESCWA REGION: TOTAL EXTERNAL DEBT OF SELECTED ESCWA MEMBER COUNTRIES, 1980-1998

A. (US\$ million)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt	21 023	40 067	45 484	32 924	32 606	31 095	30 575	32 426	33 374	31 300	29 850	31 964
Jordan	1 978	4 041	7 157	8 177	9 550	7 817	7 609	7 708	8 111	8 073	8 175	8 485
Lebanon	491	416	1 023	1 779	1 554	1 806	1 345	2 118	2 966	3 996	5 033	6 725
Oman	603	2 330	2 969	2 736	2 901	2 855	2 657	3 087	3 181	3 415	3 602	3 629
Syrian Arab Republic	2 749	3 537	17 389	17 068	18 942	19 017	19 976	20 558	21 318	21 420	20 865	22 435
Yemen*	1 663	3 609	5 593	6 346	6 473	6 571	5 923	6 121	6 212	6 356	3 856	4 138
Total	28 507	54 000	79 615	69 030	72 026	69 161	68 085	72 018	75 162	74 560	71 381	77 376

Ratio of external debt of selected ESCWA member countries to their combined external debt, 1980-1998

B. (percentage)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt	73.7	74.2	57.1	47.7	45.3	45.0	44.9	45.0	44.4	42.0	41.8	41.3
Jordan	6.9	7.5	9.0	11.8	13.3	11.3	11.2	10.7	10.8	10.8	11.5	11.0
Lebanon	1.7	0.8	1.3	2.6	2.2	2.6	2.0	2.9	3.9	5.4	7.1	8.7
Oman	2.1	4.3	3.7	4.0	4.0	4.1	3.9	4.3	4.2	4.6	5.0	4.7
Syrian Arab Republic	9.6	6.6	21.8	24.7	26.3	27.5	29.3	28.5	28.4	28.7	29.2	29.0
Yemen*	5.8	6.7	7.0	9.2	9.0	9.5	8.7	8.5	8.3	8.5	5.4	5.3
Total ESCWA region**	100	100	100	100	100	100	100	100	100	100	100	100

Source: For 1980 and 1985: World Bank, *World Debt Tables*, 1989-1990.For 1989-1998: World Bank, *Global Development Finance*, 2000.

Chart 2. Ratios of long term debt and short term debt to total external debt for selected ESCWA member countries, 1980-1998

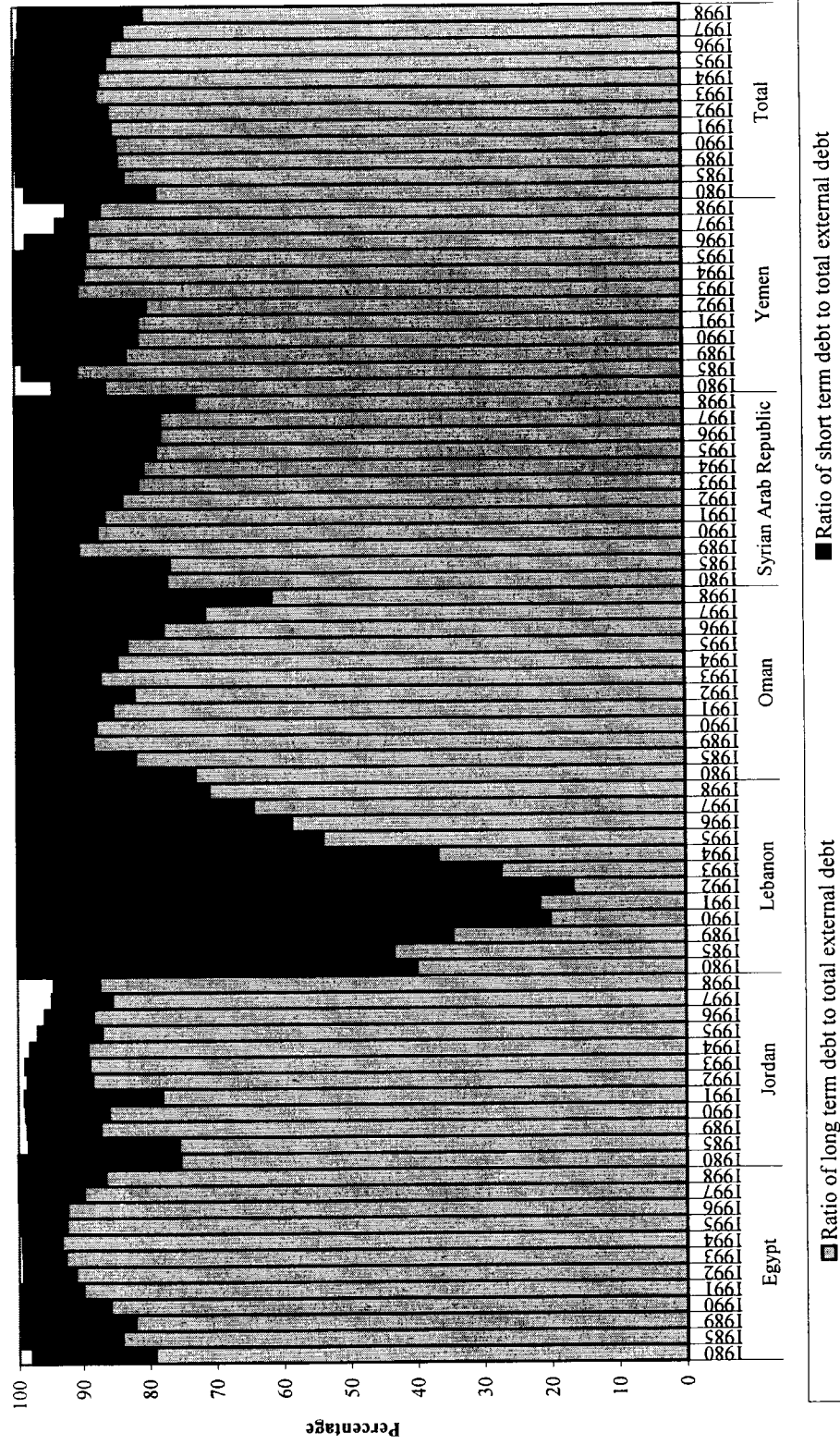


Chart 3. Ratios of public and private debt to long term debt for selected ESCWA member countries, 1980-1998

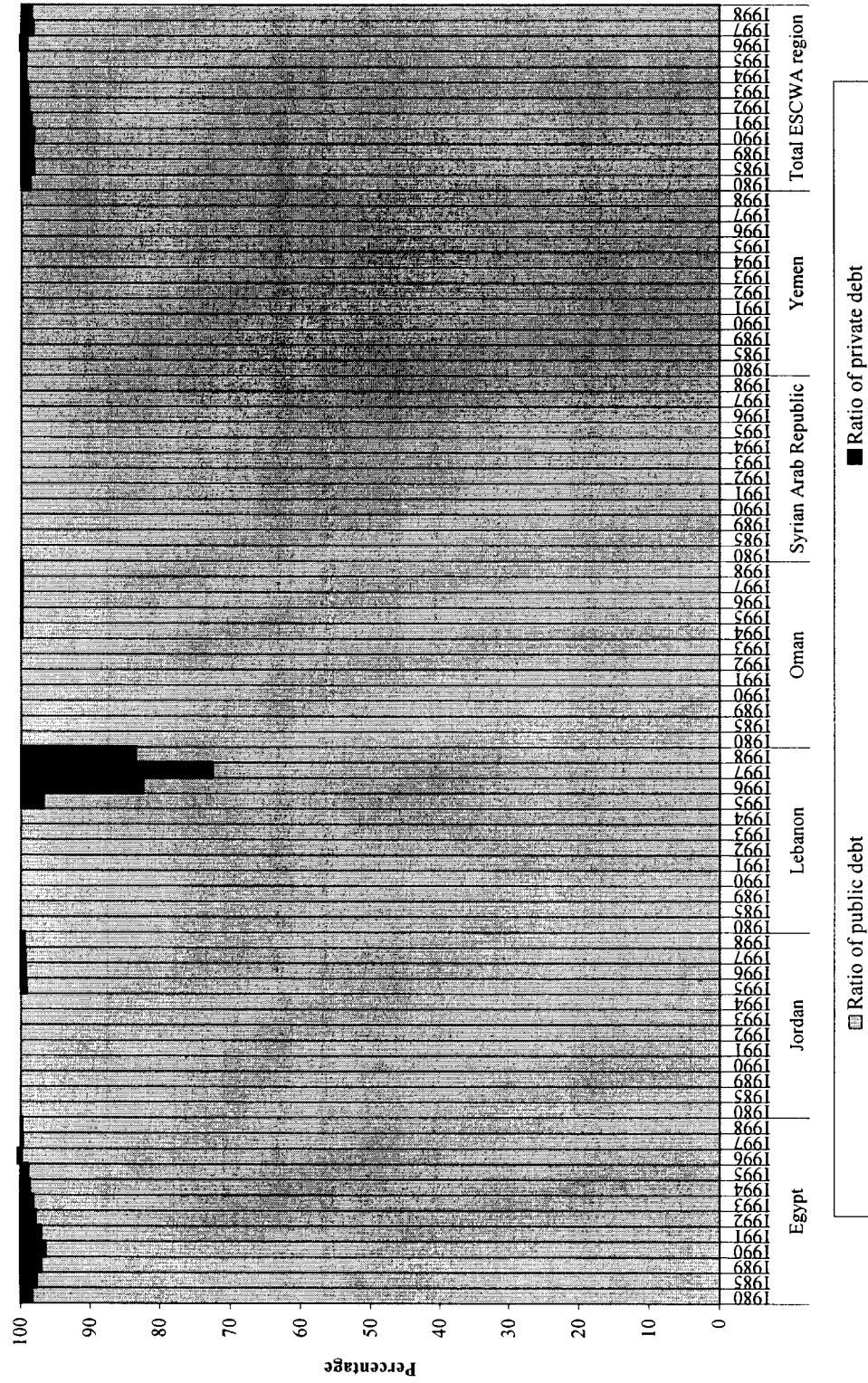


TABLE 4. ESCWA REGION: DEVELOPMENT OF EXTERNAL LONG TERM AND SHORT TERM DEBT OF
SELECTED ESCWA MEMBER COUNTRIES, 1980-1998

A. LONG TERM DEBT
(US\$ million)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt	16 678	33 780	37 439	28 349	29 379	28 377	28 369	30 302	30 900	28 937	26 858	27 704
Jordan	1 493	3 059	6 256	7 043	7 458	6 922	6 770	6 883	7 070	7 136	6 999	7 421
Lebanon	197	181	354	358	336	301	368	778	1 601	2 343	3 238	4 765
Oman	440	1 908	2 620	2 400	2 474	2 340	2 315	2 610	2 640	2 649	2 570	2 231
Syrian Arab Republic	2 118	2 711	15 693	14 917	16 353	15 913	16 235	16 540	16 757	16 698	16 254	16 328
Yemen*	1 432	3 261	4 643	5 155	5 256	5 253	5 341	5 460	5 528	5 622	3 418	3 590
Total ESCWA region**	22 358	44 900	67 005	58 222	61 256	59 106	59 398	62 573	64 496	63 385	59 337	62 039

B. RATIO OF LONG TERM DEBT TO TOTAL EXTERNAL DEBT
(percentage)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt	79.3	84.3	82.3	86.1	90.1	91.3	92.8	93.4	92.6	92.5	90.0	86.7
Jordan	75.5	75.7	87.4	86.1	78.1	88.6	89.0	89.3	87.2	88.4	85.6	87.5
Lebanon	40.1	43.5	34.6	20.1	21.6	16.7	27.4	36.7	54.0	58.6	64.3	70.9
Oman	73.0	81.9	88.2	87.7	85.3	82.0	87.1	84.5	83.0	77.6	71.3	61.5
Syrian Arab Republic	77.0	76.6	90.2	87.4	86.3	83.7	81.3	80.5	78.6	78.0	77.9	72.8
Yemen*	86.1	90.4	83.0	81.2	81.2	79.9	90.2	89.2	89.0	88.5	88.6	86.8
Total ESCWA region**	78.4	83.1	84.2	84.3	85.0	85.5	87.2	86.9	85.8	85.0	83.1	80.2

TABLE 4 (continued)

C. PUBLIC LONG TERM DEBT
(US\$ million)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt	16 413	33 030	36 358	27 349	28 529	27 777	27 869	29 927	30 587	28 918	26 804	27 670
Jordan	1 493	3 059	6 256	7 043	7 458	6 922	6 770	6 883	7 020	7 091	6 960	7 388
Lebanon	197	181	354	358	336	301	368	778	1 551	1 933	2 353	3 980
Oman	440	1 908	2 620	2 400	2 474	2 340	2 315	2 608	2 637	2 646	2 567	2 228
Syrian Arab Republic	2 118	2 711	15 693	14 917	16 353	15 913	16 235	16 540	16 757	16 698	16 254	16 328
Yemen*	1 432	3 261	4 643	5 155	5 256	5 253	5 341	5 460	5 528	5 622	3 418	3 590
Total ESCWA region**	22 093	44 150	65 924	57 222	60 406	58 506	58 898	62 196	64 080	62 908	58 356	61 184

D. RATIO OF PUBLIC LONG TERM DEBT TO LONG TERM DEBT
(percentage)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt	98.4	97.8	97.1	96.5	97.1	97.9	98.2	98.8	99.0	99.9	99.8	99.9
Jordan	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	99.3	99.4	99.4	99.6
Lebanon	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	96.9	82.5	72.7	83.5
Oman	100.0	100.0	100.0	100.0	100.0	100.0	100.0	99.9	99.9	99.9	99.9	99.9
Syrian Arab Republic	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Yemen*	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total ESCWA region**	98.8	98.3	98.4	98.3	98.6	99.0	99.2	99.4	99.4	99.2	98.3	98.6

TABLE 4 (continued)

E. PRIVATE LONG TERM DEBT
(US\$ million)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt	265	750	1 081	1 000	850	600	500	375	313	127	54	34
Jordan	-	-	-	-	-	-	-	-	50	45	39	33
Lebanon	-	-	-	-	-	-	-	-	50	410	885	785
Oman	-	-	-	-	-	-	-	2	3	3	3	3
Syrian Arab Republic	-	-	-	-	-	-	-	-	-	-	-	-
Yemen*	-	-	-	-	-	-	-	-	-	-	-	-
Total ESCWA region**	265	750	1 081	1 000	850	600	500	377	416	585	981	855

F. RATIO OF PRIVATE LONG TERM DEBT TO LONG TERM DEBT
(US\$ million)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt	1.6	2.2	2.9	3.5	2.9	2.1	1.8	1.2	1.0	0.4	0.2	0.1
Jordan	-	-	-	-	-	-	-	-	0.7	0.6	0.6	0.4
Lebanon	-	-	-	-	-	-	-	-	3.1	17.5	27.3	16.5
Oman	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1
Syrian Arab Republic	-	-	-	-	-	-	-	-	-	-	-	-
Yemen*	-	-	-	-	-	-	-	-	-	-	-	-
Total ESCWA region**	1.2	1.7	1.6	1.7	1.4	1.0	0.8	0.6	0.6	0.9	1.7	1.4

TABLE 4 (continued)

G. SHORT-TERM DEBT
(US\$ million)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt	3 933	6 103	7 884	4 450	3 099	2 516	2 003	1 931	2 371	2 347	2 991	4 260
Jordan	486	919	805	1 040	1 997	783	757	681	790	597	748	594
Lebanon	294	235	669	1 421	1 218	1 505	977	1 340	1 365	1 653	1 795	1 961
Oman	163	422	348	335	427	515	342	477	541	766	1 032	1 398
Syrian Arab Republic	631	825	1 696	2 151	2 589	3 104	3 741	4 018	4 562	4 722	4 611	6 107
Yemen*	134	301	948	1 191	1 218	1 318	582	662	684	614	188	213
Total ESCWA region**	5 641	8 805	12 350	10 588	10 548	9 741	8 402	9 109	10 313	10 699	11 365	14 533

H. RATIO OF SHORT-TERM DEBT TO TOTAL EXTERNAL DEBT
(percentage)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt	18.7	15.2	17.3	13.5	9.5	8.1	6.6	6.0	7.1	7.5	10.0	13.3
Jordan	24.6	22.7	11.2	12.7	20.9	10.0	9.9	8.8	9.7	7.4	9.1	7.0
Lebanon	59.9	56.5	65.4	79.9	78.4	83.3	72.6	63.3	46.0	41.4	35.7	29.2
Oman	27.0	18.1	11.7	12.2	14.7	18.0	12.9	15.5	17.0	22.4	28.7	38.5
Syrian Arab Republic	23.0	23.3	9.8	12.6	13.7	16.3	18.7	19.5	21.4	22.0	22.1	27.2
Yemen*	8.1	8.3	16.9	18.8	18.8	20.1	9.8	10.8	11.0	9.7	4.9	5.1
Total ESCWA region**	19.8	16.3	15.5	15.3	14.6	14.1	12.3	12.6	13.7	14.3	15.9	18.8

Source: For 1980 and 1985: World Bank, *World Debt Tables*, 1989-1990; for 1989 to 1998: World Bank, Global Development Finance, various issues.

* 1980 and 1985 figures for Yemen are the sum of the debt for both the Yemen Arab Republic and the former People's Democratic Republic of Yemen. The Yemen Arab Republic and People's Democratic Republic of Yemen were unified into the Republic of Yemen on 22 May, 1990.

** Excluding other ESCWA countries, owing to lack of information.

Note: Figures may not add up, owing to rounding.

A significant part of the external debt of each of the six countries has been bilateral averaging around 68 per cent for the Syrian Arab Republic during the past two decades, followed by Egypt (66 per cent), Yemen (46 per cent), Jordan (44 per cent), Oman (15 per cent) and Lebanon 9 per cent, (table 5, and chart 4). While the high ratio of bilateral debt to total external debt of the Syrian Arab Republic is attributed to the significant amount of easy terms-borrowing from the former Soviet Union and the Eastern Block countries, estimated at around 90 per cent of its total external debt, the ratio for Egypt, which averaged around 56 per cent during the 1980s, increased significantly during the 1990s, from 53.5 per cent in 1990 to around 71 per cent in 1998, with the ratio reaching around 74 per cent and over 75 per cent in 1995 and 1996, respectively (table 6).

Two reasons are considered to have led to the high Egyptian ratio: first, the forgiveness of a significant part of Egypt's external debt by a number of creditor countries, particularly the GCC countries and the USA, in the wake of the Gulf crisis in 1990-1991, eased the country-to-country credit terms and facilities for Egypt, thus opening up the door for more bilateral borrowing. Second, the relative success of Egypt's economic structural adjustment programme, particularly during the period 1995 to 1998. This made it easier for Egypt to borrow on a country-to-country basis. This development was reflected in the rise of the ratio of Egypt's multilateral borrowing to its total external debt, from 10.3 in 1991 to over 13 per cent in 1998, (table 6D). This borrowing, particularly from the International Monetary Fund and the World Bank was meant to support the process of Egypt's economic structural adjustment programme. Regarding Lebanon, the ratio of its bilateral debt to its total external debt decreased gradually during the period from 1993 to 1998, from 15.6 per cent in 1993 to 7.6 per cent in 1996 and 5.2 per cent in 1998. This development was attributed to the ramifications of Lebanon's civil war from 1975 to 1990, which affected significantly the country's creditworthiness. Indeed, the bilateral debt of Lebanon increased only slightly during the past three years of the period under review; from US\$ 304 million in 1996 to US\$ 339 million in 1997, and to US\$ 353 million in 1998, (table 6). Lebanon's multilateral debt which originated mainly from regional development finance institutions, increased to higher levels than those of bilateral debt; from US\$ 326 million in 1996 to US\$ 371 million and US\$ 467 million in 1997 and 1998, respectively.

TABLE 5. ESCWA REGION: AVERAGE RATIO OF BILATERAL AND MULTILATERAL DEBT TO TOTAL EXTERNAL DEBT OF SELECTED ESCWA MEMBER COUNTRIES, 1980-1998
(percentage)

	Bilateral debt		Multilateral debt	
	Average ratio for (1980, 1985, 1989)	Average ratio for (1980-1998)	Average ratio for (1980, 1985, 1989)	Average ratio for (1980-1998)
Egypt	55.9	66.0	25.9	11.8
Jordan	42.3	43.5	22.3	13.0
Lebanon	12.9	9.2	40.6	8.2
Oman	23.7	15.1	11.5	5.4
Syrian Arab Republic	59.9	68.0	27.1	5.8
Yemen*	60.2	46.2	41.6	21.2
Total ESCWA region**	54.6	58.1	26.1	10.4

Source: For 1980 and 1985: World Bank, *World Debt Tables*, 1989-1990; for 1989-1998: World Bank, *Global Development Finance*, 2000.

* The 1980 and 1985 figures for Yemen are the sum of the external debt for Yemen Arab Republic and former People's Democratic Republic of Yemen. The Yemen Arab Republic and People's Democratic Republic of Yemen were unified into the Republic of Yemen on 22 May, 1990.

** Excluding other ESCWA countries, owing to lack of information.

Note: Figures may not add up, owing to rounding.

Chart 4. Ratios of bilateral and multilateral debt to total external debt for selected ESCWA member countries, 1980-1998

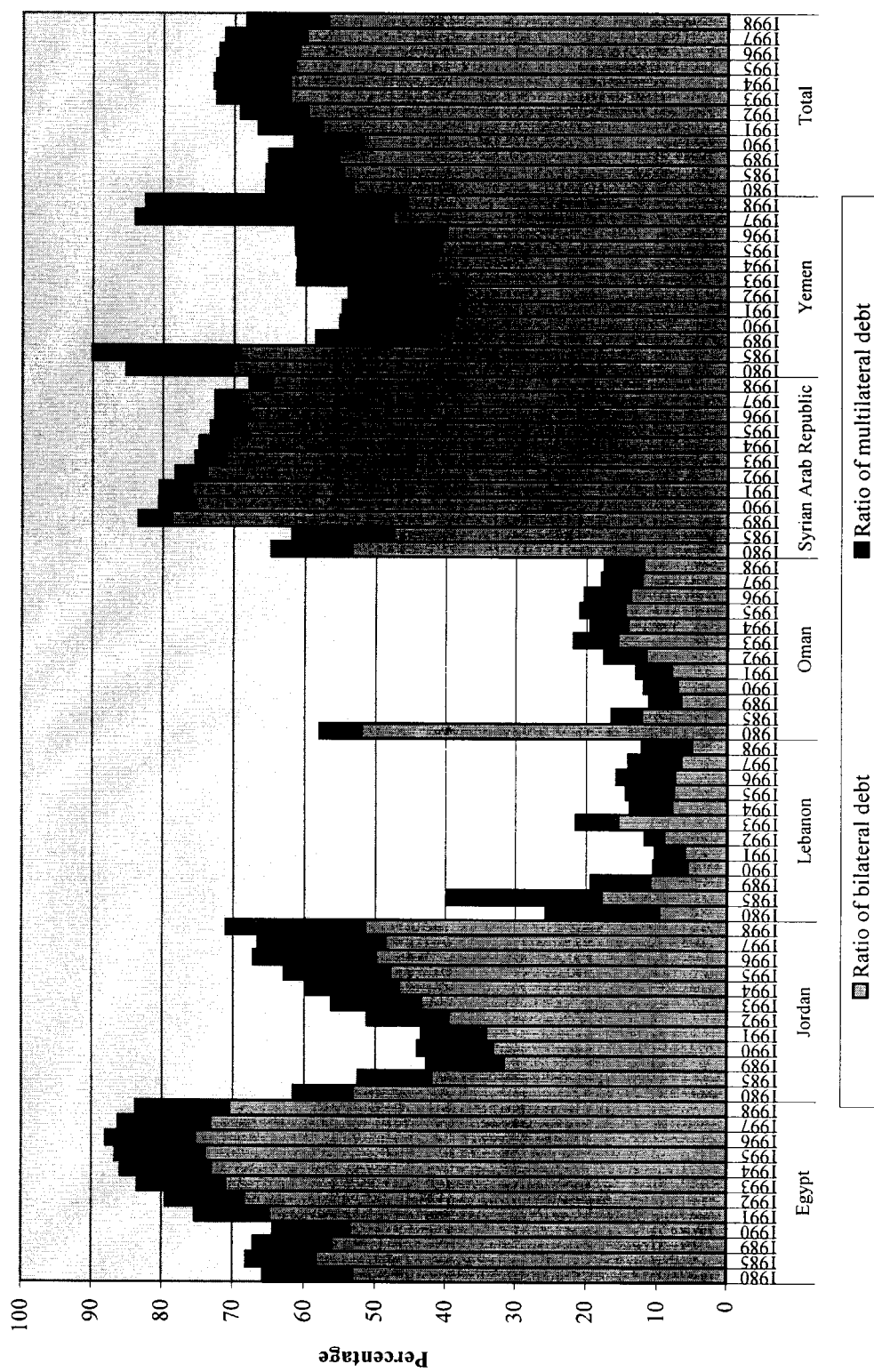


TABLE 6. ESCWA REGION: DEVELOPMENT OF BILATERAL AND MULTILATERAL DEBT OF SELECTED ESCWA MEMBER COUNTRIES, 1980-1998

A. BILATERAL DEBT
(US\$ million)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt	11 183	23 361	25 517	17 618	21 154	21 270	21 717	23 681	24 670	23 585	21 836	22 555
Jordan	1 053	1 699	2 271	2 716	3 268	3 098	3 314	3 597	3 884	4 032	3 973	4 365
Lebanon	48	74	113	104	97	165	210	170	230	304	339	353
Oman	314	287	202	198	235	333	416	439	466	473	446	439
Syrian Arab Republic	1 468	1 681	13 700	12 868	14 378	14 041	14 223	14 452	14 570	14 523	14 420	14 499
Yemen*	1 168	2 499	2 303	2 470	2 501	2 490	2 518	2 534	2 532	2 545	1 846	1 891
Total ESCWA region**	15 234	29 601	44 106	35 974	41 633	41 397	42 398	44 873	46 352	45 462	42 860	44 102

B. RATIO OF BILATERAL DEBT TO TOTAL EXTERNAL DEBT
(percentage)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt	53.2	58.3	56.1	53.5	64.9	68.4	71.0	73.0	73.9	75.4	73.2	70.6
Jordan	53.2	42.0	31.7	33.2	34.2	39.6	43.6	46.7	47.9	49.9	48.6	51.4
Lebanon	9.8	17.9	11.0	5.8	6.2	9.1	15.6	8.0	7.8	7.6	6.7	5.2
Oman	52.1	12.3	6.8	7.2	8.1	11.7	15.7	14.2	14.6	13.9	12.4	12.1
Syrian Arab Republic	53.4	47.5	78.8	75.4	75.9	73.8	71.2	70.3	68.3	67.8	69.1	64.6
Yemen*	70.2	69.2	41.2	38.9	38.6	37.9	42.5	41.4	40.8	40.0	47.9	45.7
Total ESCWA region**	53.4	54.8	55.4	52.1	57.8	59.9	62.3	62.3	61.7	61.0	60.0	57.0

TABLE 6 (continued)

C. MULTILATERAL DEBT
(US\$ million)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt	2 625	3 895	4 976	3 547	3 374	3 430	3 789	4 161	4 229	3 933	3 892	4 195
Jordan	164	419	787	887	883	900	959	1 016	1 209	1 385	1 464	1 658
Lebanon	78	92	85	85	64	48	79	125	198	326	371	467
Oman	35	98	130	129	143	167	164	162	199	221	199	195
Syrian Arab Republic	311	504	813	877	860	834	835	918	1 031	1 030	718	710
Yemen*	249	752	970	1 026	1 046	1 056	1 108	1 206	1 278	1 358	1 390	1 521
Total ESCWA region**	3 462	5 760	7 761	6 551	6 370	6 435	6 934	7 588	8 144	8 253	8 034	8 746

D. RATIO OF MULTILATERAL DEBT TO TOTAL EXTERNAL DEBT
(percentage)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt	12.5	9.7	10.9	10.8	10.3	11.0	12.4	12.8	12.7	12.6	13.0	13.1
Jordan	8.3	10.4	11.0	10.8	9.2	11.5	12.6	13.2	14.9	17.2	17.9	19.5
Lebanon	15.8	22.0	8.3	4.8	4.1	2.7	5.9	5.9	6.7	8.2	7.4	6.9
Oman	5.8	4.2	4.4	4.7	4.9	5.8	6.2	5.2	6.3	6.5	5.5	5.4
Syrian Arab Republic	11.3	14.2	4.7	5.1	4.5	4.4	4.2	4.5	4.8	4.8	3.4	3.2
Yemen*	15.0	20.8	17.3	16.2	16.2	16.1	18.7	19.7	20.6	21.4	36.0	36.8
Total ESCWA region**	12.1	10.7	9.7	9.5	8.8	9.3	10.2	10.5	10.8	11.1	11.3	11.3

Source: For 1980 and 1985: World Bank, *World Debt Tables*, 1989-1990; for 1989-1998: World Bank, *Global Development Finance*, 2000.

* The 1980 and 1985 figures for Yemen are the sum of the external debt for Yemen Arab Republic and former People's Democratic Republic of Yemen. The Yemen Arab Republic and People's Democratic Republic of Yemen were unified into the Republic of Yemen on 22 May, 1990.

** Excluding other ESCWA countries, owing to lack of information.

Note: Figures may not add up, owing to rounding.

A large part of the external debt of most indebted ESCWA countries has been concessional with soft terms loans (chart 5). Official creditors awarded most of these loans, particularly to Egypt, Jordan and Yemen with significant soft terms concerning interest rates, maturity years, grace periods and grant elements. Table 7 shows that during the past two decades, Egypt enjoyed, on its official borrowing, an interest rate averaging around 3.4 per cent, around 1.5 per cent below the average level of the market rate during the same period. The maturity period of Egypt's official borrowing which in 1980 amounted to 36.4 years dropped to 27.3 years in 1998 (refer to Egypt case study, Section V). The average for the two decades, however, amounted also to 27.3 years; of which an average of 7.7 years grace period was accounted. To support Egypt's efforts in its economic structural adjustment programme, Egypt was granted around 53 per cent of its concessional debt. This was made in the form of debt forgiveness within the framework of rescheduling Egypt's external debt. Among the six ESCWA countries under review, Yemen which is classified by the United Nations in the category of the least-developing countries, enjoyed a borrowing with the most soft terms, with interest rates being almost nominal, averaging around 0.5 per cent during the past two decades, compared with 6.3 per cent for Lebanon, 4 per cent for Jordan and 3.4 per cent for Oman. Yemen's debt maturity averaged around 39 years. It was significantly higher than that of Egypt (around 27 years), Jordan (around 20 years), Oman (around 18 years) and Lebanon (only around 10 years). Yemen has been awarded around 10 years grace period on its external debt, compared with Lebanon (1.5 years) and Jordan (5.8 years) in average. The most important soft term in Yemen's debt to official creditors has been the grant element in Yemen's external debt from official creditors, amounting to around 82 per cent, compared with 14.3 per cent grant element for Lebanon and around 40 per cent for Jordan.

TABLE 7. ESCWA REGION: AVERAGE TERMS OF NEW COMMITMENTS OF SELECTED ESCWA MEMBER COUNTRIES (ALL CREDITORS), 1980-1998

	All creditors			
	Interest (%)	Maturity (years)	Grace period (years)	Grant element (%)
Egypt	3.4	27.3	7.7	52.6
Jordan	4	20.4	5.8	40.1
Lebanon	6.3	9.9	1.5	14.3
Oman	3.4	18	3.2	37.5
Syrian Arab Republic	0	0	0	0
Yemen	0.5	39.1	9.6	81.7

Source: World Bank, *Global Development Finance*, 2000.

Concessional debt of ESCWA member countries amounted to around 60 per cent of their total external debt in 1998, up from 57 per cent in 1995 and 46 per cent in 1990, (table 8). In the mid-1980s, the ratio averaged around 36 per cent, 13 per cent below the level of 1980 (49 per cent). The ratio increased to 43 per cent in 1989. In 1998, the ratio of concessional debt to total external debt was highest for Yemen (79 per cent), followed by Egypt (73 per cent), Syrian Arab Republic (67 per cent), Jordan (45 per cent), Oman (15 per cent) and Lebanon (8 per cent). The relatively high ratio of the Syrian Arab Republic in 1998 is attributed to the high level of its bilateral concessional debt, at US\$ 14.497 billion, constituting around 65 per cent of its total external debt of US\$ 22.435 billion in 1998, but an average of over 67 per cent during the past two decades, followed by Egypt (49 per cent), Yemen (43 per cent) and Jordan 34 per cent, (table 9). The ratio of the Syrian Arab Republic was actually highest among the ratios of the other indebted ESCWA member countries during most of the past two decades. It averaged around 70 per cent, followed by Yemen (63 per cent), Egypt (55 per cent) and Jordan (38 per cent), Oman (16 per cent) and Lebanon (10 per cent), (table 8). The ratio for Egypt started increasing in 1991, where Egypt, in consequence of its standing during the Gulf crisis, was awarded significant soft-term loans within the framework of the process of rescheduling of its external debt, in addition to the forgiveness by its official creditors of a major part of its external debt.

Chart 5. Ratio of concessional debt to total external debt for selected ESCWA member countries, 1980-1998

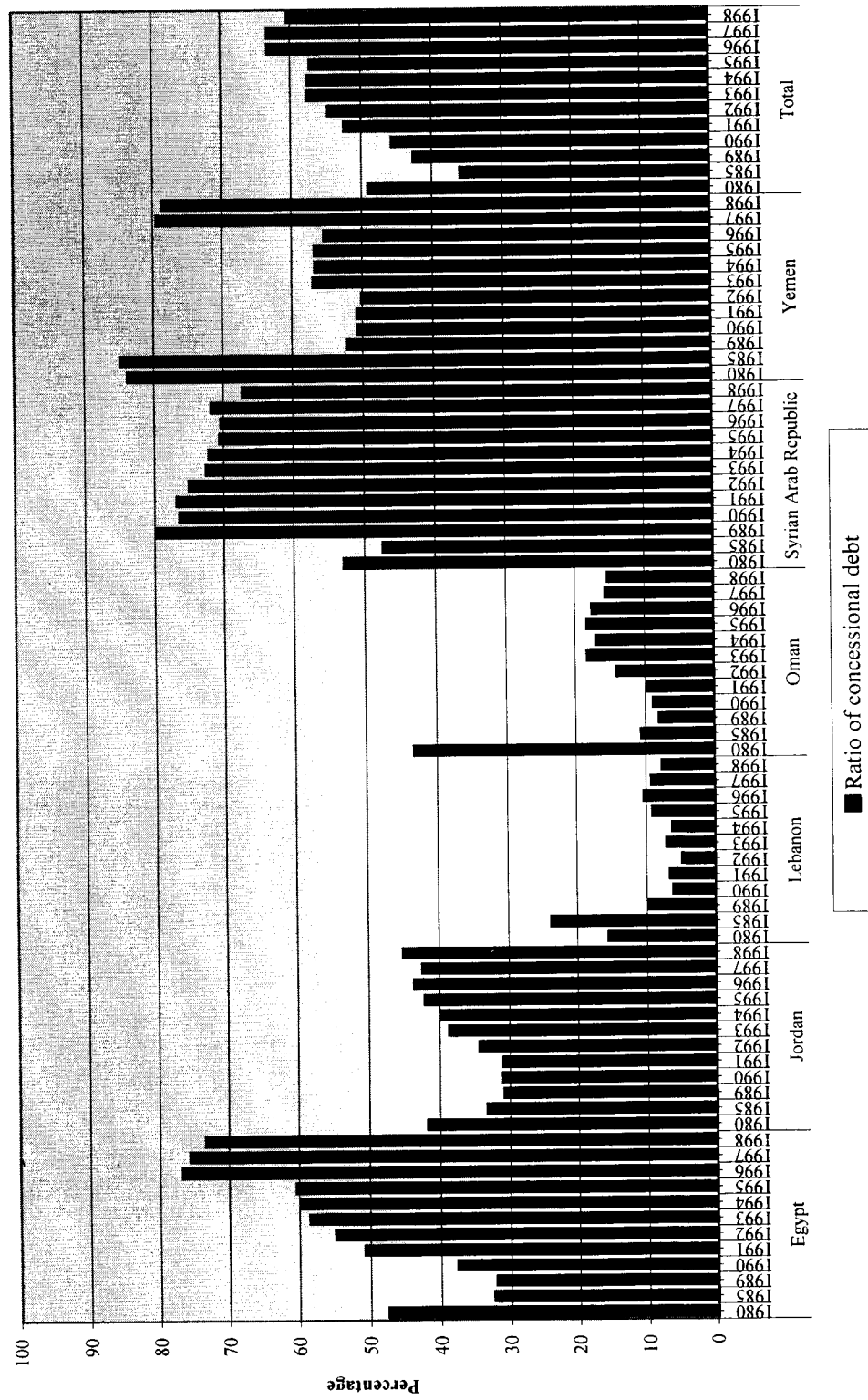


TABLE 8. ESCWA REGION: DEVELOPMENT OF CONCESSIONAL DEBT OF SELECTED ESCWA MEMBER COUNTRIES, 1980-1998

A. CONCESSIONAL DEBT
(US\$ million)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt	9 978	12 988	14 591	12 390	16 552	17 060	17 887	19 412	20 155	24 031	22 585	23 471
Jordan	826	1 345	2 209	2 537	2 957	2 686	2 943	3 066	3 414	3 521	3 471	3 831
Lebanon	76	99	100	111	104	88	96	134	272	415	467	518
Oman	261	248	240	243	280	401	487	522	582	600	562	555
Syrian Arab Republic	1 454	1 677	13 884	13 053	14 555	14 278	14 497	14 831	15 053	15 073	14 982	15 082
Yemen*	1 393	3 062	2 921	3 215	3 286	3 295	3 375	3 471	3 526	3 522	3 066	3 257
Total ESCWA region**	13 988	19 419	33 945	31 549	37 734	37 808	39 285	41 436	43 002	47 162	45 133	46 714

B. RATIO OF CONCESSIONAL DEBT TO TOTAL EXTERNAL DEBT
(percentage)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt	47	32	32	38	51	55	59	60	60	77	76	73
Jordan	42	33	31	31	31	34	39	40	42	44	42	45
Lebanon	16	24	10	6	7	5	7	6	9	10	9	8
Oman	43	11	8	9	10	14	18	17	18	18	16	15
Syrian Arab Republic	53	47	80	76	77	75	73	72	71	70	72	67
Yemen*	84	85	52	51	51	50	57	57	57	55	80	79
Total ESCWA region**	49	36	43	46	52	55	58	58	57	63	63	60

Source: For 1980 and 1985, World Bank, *World Debt Tables*, 1989-1990; for 1989-1998, World Bank, Global Development Finance, 2000.

* The 1980 and 1985 figures for Yemen are the sum of the debt for Yemen Arab Republic and former People's Democratic Republic of Yemen. The Yemen Arab Republic and People's Democratic Republic of Yemen were unified into the Republic of Yemen on 22 May, 1990.

** Excluding other ESCWA countries, owing to lack of information.

Note: Figures may not add up, owing to rounding.

TABLE 9. ESCWA REGION: AVERAGE RATIO OF MULTILATERAL AND BILATERAL CONCESSIONAL DEBT TO TOTAL EXTERNAL DEBT OF SELECTED ESCWA MEMBER COUNTRIES
(1980-1998)
(percentage)

	Bilateral concessional debt	Multilateral concessional debt
	Average ratio for (1980-1998)	Average ratio for (1980-1998)
Egypt	49.4	5.5
Jordan	34.0	3.9
Lebanon	6.2	3.6
Oman	14.0	2.4
Syrian Arab Republic	67.4	2.1
Yemen*	42.6	20.5
Total ESCWA region**	47.9	5.4

The combined debt service payments for ESCWA member countries, under review, increased by around 94 per cent, from around US\$ 3.1 billion in 1980 to around US\$ 6 billion in 1990, (table 10). The payments, however, decreased by around 34 per cent to around US\$ 4 billion in 1993, following forgiveness of debt of a number of these countries, particularly Egypt, in the wake of the Gulf crisis 1990-1991. Indeed, Egypt's external debt, which in 1989, the year preceding the Gulf crisis, amounted to around US\$ 40.4 billion, representing around 57.1 per cent of the external debt of the six countries combined, dropped to around US\$ 32.9 billion in 1990 and further to around US\$ 30.6 billion in 1993; around 48 per cent and 45 per cent, respectively, of total external debt of ESCWA member countries.

The debt service payments, however, which were lowest in 1993, at around US\$ 3.9 billion, increased to over US\$ 4.7 billion in 1996. Following continued rescheduling of debt of most of these countries and the subsequent drop in their debt service payments, the combined amount of the debt service payments of the six countries concerned, dropped from around US\$ 4.7 billion in 1997 to around US\$ 4.3 billion in 1998. The drop in the debt service payments appears to have been much pronounced in those of Lebanon, the Syrian Arab Republic, with the debt service payments of the former dropping from US\$ 734 million to US\$ 527 million, and of the latter from US\$ 563 million to US\$ 339 million. While the debt service payments of Egypt also decreased, though at a lower rate than those of each Lebanon and the Syrian Arab Republic, the debt service payments of the other countries recorded an increase. In balance, however, there was more decrease than increase in the debt service payments of the concerned countries.

The combined debt service ratio¹¹ of the six countries dropped from around 18.6 per cent in 1990 to around 14.1 per cent in 1991 and to a low of 9.7 per cent in 1993, (table 12). The ratio changed only slightly during the next four years up to 1997. However, the drop by around 26 per cent in the total amount of export of goods and services of the countries, from around US\$ 48.2 billion in 1997 to around US\$ 35.7 billion in 1998, (table 13), resulted in the debt service ratio increasing from 9.7 per cent in 1997 to 12.1 per cent in 1998. Actually, this development in the debt service ratio was also an outcome of the high ratios of each Jordan (16.4 per cent) and Lebanon (18.6 per cent), the latter increasing from 14.4 per cent in 1997, to 18.6 per cent in 1998, (table 12).

¹¹ Defined as debt service payments divided by export of goods and services.

TABLE 10. ESCWA REGION: DEBT SERVICE PAYMENTS OF SELECTED ESCWA MEMBER COUNTRIES, 1980-1998
(US\$ million)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt												
Debt service payments (TDS)												
Principal repayments	2 108	3 029	2 907	3 073	2 616	2 716	2 201	2 264	2 413	2 309	1 927	1 813
<i>long term debt</i>	1 190	1 573	1 496	1 745	1 724	1 487	975	956	1 011	1 115	941	912
<i>IMF repurchases</i>	1 087	1 530	1 473	1 698	1 644	1 446	975	934	916	1 030	926	912
Interest payments	103	43	24	47	80	41	0	22	95	85	15	0
<i>on long term debt</i>	918	1 456	1 411	1 328	892	1 229	1 226	1 308	1 402	1 194	986	901
<i>IMF charges</i>	478	985	1 098	1 012	661	1 047	1 050	1 168	1 261	1 058	724	674
<i>on short term debt</i>	18	4	13	15	11	14	12	10	9	3	0	0
	422	467	300	301	220	168	164	130	132	133	262	227
Jordan												
Debt service payments (TDS)												
Principal repayments	233	519	594	625	739	711	602	565	614	1 018	907	900
<i>long term debt</i>	100	270	300	251	339	386	347	320	338	592	503	418
<i>IMF repurchases</i>	100	270	264	241	339	376	301	283	330	570	481	409
Interest payments	0	0	37	10	0	10	46	37	8	22	22	9
<i>on long term debt</i>	133	249	294	374	400	325	255	245	276	426	404	482
<i>IMF charges</i>	79	171	240	307	283	278	206	200	223	379	352	427
<i>on short term debt</i>	0	3	4	9	8	8	6	5	10	12	17	21
	54	75	50	58	109	39	43	40	43	35	35	34
Lebanon												
Debt service payments (TDS)												
Principal repayments	52	98	92	99	114	138	135	185	225	301	734	527
<i>long term debt</i>	7	66	29	27	33	40	45	96	104	69	438	169
<i>IMF repurchases</i>	7	66	29	27	33	40	45	96	104	69	438	169
Interest payments	0	0	0	0	0	0	0	0	0	0	0	0
<i>on long term debt</i>	45	33	63	72	81	98	90	89	121	232	296	358
<i>IMF charges</i>	6	13	11	11	15	25	23	26	54	149	201	263
<i>on short term debt</i>	0	0	0	0	0	0	0	0	0	0	0	0
	39	20	52	61	66	73	67	63	67	83	95	95

TABLE 10 (continued)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Oman												
Debt service payments (TDS)	223	290	634	739	579	529	607	550	487	751	474	629
Principal repayments	157	147	375	536	385	340	425	376	282	571	297	411
long term debt	157	147	375	536	385	340	425	376	282	571	297	411
IMF repurchases	0	0	0	0	0	0	0	0	0	0	0	0
Interest payments	66	143	259	203	194	189	182	174	205	180	177	218
on long term debt	40	114	225	178	167	153	158	149	184	149	132	156
IMF charges	0	0	0	0	0	0	0	0	0	0	0	0
on short term debt	26	29	34	25	27	36	24	25	21	31	45	62
Syrian Arab Republic												
Debt service payments (TDS)	382	349	382	1 273	477	305	284	398	293	255	563	339
Principal repayments	225	212	225	1 137	338	139	102	129	92	77	362	96
long term debt	225	212	225	1 137	338	139	102	129	92	77	362	96
IMF repurchases	0	0	0	0	0	0	0	0	0	0	0	0
Interest payments	157	137	157	136	139	166	182	269	201	178	201	243
on long term debt	77	79	77	54	46	68	72	100	62	48	63	78
IMF charges	0	0	0	0	0	0	0	0	0	0	0	0
on short term debt	80	58	80	82	93	98	110	169	139	130	138	165
Yemen*												
Debt service payments (TDS)	77	189	262	169	201	134	120	106	101	84	98	125
Principal repayments	53	136	158	81	117	83	78	58	65	58	60	73
long term debt	42	129	154	80	117	83	78	58	65	58	60	73
IMF repurchases	11	7	4	1	0	0	0	0	0	0	0	0
Interest payments	24	53	104	88	84	51	42	48	36	26	38	52
on long term debt	12	42	54	28	34	21	21	23	25	21	26	45
IMF charges	2	2	0	0	0	0	0	0	0	0	7	0
on short term debt	10	9	50	60	50	30	21	25	11	5	5	7

TABLE 10 (*continued*)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total												
Debt service payments (TDS)	3 075	4 474	4 871	5 978	4 726	4 533	3 949	4 068	4 133	4 718	4 703	4 333
Principal repayments	1 732	2 404	2 583	3 777	2 936	2 475	1 972	1 935	1 892	2 482	2 601	2 079
<i>long term debt</i>	1 618	2 354	2 520	3 719	2 856	2 424	1 926	1 876	1 789	2 375	2 564	2 070
<i>IMF repurchases</i>	114	50	65	58	80	51	46	59	103	107	37	9
Interest payments	1 343	2 071	2 288	2 201	1 790	2 058	1 977	2 133	2 241	2 236	2 102	2 254
<i>on long term debt</i>	692	1 404	1 705	1 590	1 206	1 592	1 530	1 666	1 809	1 804	1 498	1 643
<i>IMF charges</i>	20	9	17	24	19	22	18	15	19	15	24	21
<i>on short term debt</i>	631	658	566	587	565	444	429	452	413	417	580	590

Source: For 1980 and 1985: World Bank, World Debt Tables, 1989-1990.

For 1990-1996: World Bank, Global Development Finance, 1998.

For 1997-1998: World Bank, Global Development Finance, 2000.

* 1980 and 1985 figures for Yemen constitute the sum of figures for Yemen Arab Republic and People's Democratic Republic of Yemen, 1990-1998 figures constitute the figures of Republic of Yemen. Yemen Arab Republic and People's Democratic Republic of Yemen were unified into the Republic of Yemen on 22 May, 1990.

TABLE 11. ESCWA REGION: RATIO OF DEBT SERVICE ITEMS TO TOTAL DEBT SERVICE PAYMENTS FOR SELECTED ESCWA MEMBER COUNTRIES,
1980-1998
(percentage)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt												
Debt service payments (TDS)	100	100	100	100	100	100	100	100	100	100	100	100
Principal repayments	56	52	51	57	66	55	44	42	42	48	49	50
IMF repurchases	52	51	51	55	63	53	44	41	38	45	48	50
long term debt	5	1	1	2	3	2	0	1	4	4	1	0
Interest payments	44	48	49	43	34	45	56	58	58	52	51	50
on long term debt	23	33	38	33	25	39	48	52	52	46	38	37
IMF charges	1	0	0	0	0	1	1	0	0	0	0	0
on short term debt	20	15	10	10	8	6	7	6	5	6	14	13
Jordan												
Debt service payments (TDS)	100	100	100	100	100	100	100	100	100	100	100	100
Principal repayments	43	52	51	40	46	54	58	57	55	58	55	46
long term debt	43	52	44	39	46	53	50	50	54	56	53	45
IMF repurchases	0	0	6	2	0	1	8	7	1	2	2	1
Interest payments	57	48	49	60	54	46	42	43	45	42	45	54
on long term debt	34	33	40	49	38	39	34	35	36	37	39	47
IMF charges	0	1	1	1	1	1	1	1	2	1	2	2
on short term debt	23	14	8	9	15	5	7	7	7	3	4	4
Lebanon												
Debt service payments (TDS)	100	100	100	100	100	100	100	100	100	100	100	100
Principal repayments	13	67	32	27	29	29	33	52	46	23	60	32
long term debt	13	67	32	27	29	29	33	52	46	23	60	32
IMF repurchases	0	0	0	0	0	0	0	0	0	0	0	0
Interest payments	87	33	68	73	71	71	67	48	54	77	40	68
on long term debt	11	13	12	11	13	18	17	14	24	50	27	50
IMF charges	0	0	0	0	0	0	0	0	0	0	0	0
on short term debt	76	20	57	62	58	53	50	34	30	28	13	18

TABLE 11 (continued)

		1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
		100	100	100	100	100	100	100	100	100	100	100	100
Oman	Debt service payments (TDS)												
	Principal repayments	70	51	59	73	66	64	70	68	58	76	63	65
	long term debt	70	51	59	73	66	64	70	68	58	76	63	65
	IMF repurchases	0	0	0	0	0	0	0	0	0	0	0	0
	Interest payments	30	49	41	27	34	36	30	32	42	24	37	35
Syrian Arab Republic	on long term debt	18	39	35	24	29	29	26	27	38	20	28	25
	IMF charges	0	0	0	0	0	0	0	0	0	0	0	0
	on short term debt	12	10	5	3	5	7	4	5	4	4	9	10
	Debt service payments (TDS)	100	100	100	100	100	100	100	100	100	100	100	100
	Principal repayments	59	61	59	89	71	46	36	32	31	30	64	28
Yemen*	long term debt	59	61	59	89	71	46	36	32	31	30	64	28
	IMF repurchases	0	0	0	0	0	0	0	0	0	0	0	0
	Interest payments	41	39	41	11	29	54	64	68	69	70	36	72
	on long term debt	20	23	20	4	10	22	25	25	21	19	11	23
	IMF charges	0	0	0	0	0	0	0	0	0	0	0	0
Yemen*	on short term debt	21	17	21	6	19	32	39	42	47	51	25	49
	Debt service payments (TDS)	100	100	100	100	100	100	100	100	100	100	100	100
	Principal repayments	69	72	60	48	58	62	65	55	64	69	61	58
	long term debt	55	68	59	47	58	62	65	55	64	69	61	58
	IMF repurchases	14	4	2	1	0	0	0	0	0	0	0	0
Total	Interest payments	31	28	40	52	42	38	35	45	36	31	39	42
	on long term debt	16	22	21	17	17	16	18	22	25	25	27	36
	IMF charges	3	1	0	0	0	0	0	0	0	0	7	0
	on short term debt	13	5	19	36	25	22	18	24	11	6	5	6
	Debt service payments (TDS)	100	100	100	100	100	100	100	100	100	100	100	100
Total	Principal repayments	56	54	53	63	62	55	50	48	46	53	55	48
	long term debt	53	53	52	62	60	53	49	46	43	50	55	48
	IMF repurchases	4	1	1	1	2	1	1	1	2	2	1	0
	Interest payments	44	46	47	37	38	45	50	52	54	47	45	52
	on long term debt	22	31	35	27	26	35	39	41	44	38	32	38
Total	IMF charges	1	0	0	0	0	0	0	0	0	0	1	0
	on short term debt	21	15	12	10	12	10	11	11	10	9	12	14

* 1980 and 1985 figures for Yemen constitute the sum of figures for Yemen Arab Republic and People's Democratic Republic of Yemen, 1990-1998 figures constitute the figures of Republic of Yemen. Yemen Arab Republic and People's Democratic Republic of Yemen were unified into the Republic of Yemen on 22 May, 1990.

A noteworthy issue in the development of the external debt of indebted ESCWA member countries has been the significant difference between the ratio of external debt to GDP and that to GNP during most of the past two decades, indicating the importance of external transfers, particularly worker remittances to these countries. For example, while the two ratios for the six countries combined were at almost the same level in 1980, at around 60 per cent for the former and 59 per cent for the latter, the gap widened significantly between the two ratios in the following years, amounting to 9 per cent in 1985 and 13 per cent in 1989, (table 14, charts 6 and 7). In 1990, while the ratio of external debt to GDP amounted to 110 per cent, the ratio of external debt to GNP was 92 per cent. Both ratios decreased gradually during the 1990s, with the former decreasing to 63 per cent in 1995 and to 48 per cent in 1998, and the latter to 68 per cent and to 60 per cent, respectively, (table 14). The most noticeable development in this regard was the development in the ratios of each Egypt and Jordan. Both, the forgiveness of a major portion of Egypt's external debt by its official creditors, and the significant financial transfers to Egypt from Egyptian returnees in the wake of the Gulf crisis, resulted, on the one hand, in Egypt's external debt being reduced from around US\$ 45.5 billion in 1989 to around US\$ 32.9 billion in 1990, and on the other, in an increase in the GNP by around 45.6 per cent, from around US\$ 28.8 billion to around US\$ 42 billion, (table 15), leading to a decrease in the former by 21 per cent from 149 per cent to 128 per cent, but to a significant decrease in the latter by around 80 per cent, from 158 per cent to 78 per cent. Both ratios continued decreasing during the 1990s; the former to 54 per cent in 1995 and to 36 per cent in 1998 and the latter to 57 per cent and to 37 per cent, respectively, (table 14).

The case of Jordan was completely different from that of Egypt. Jordan was the big loser in the Gulf crisis. Both its GDP and GNP decreased, the former from around US\$ 4.1 billion in 1989 to around US\$ 4 billion in 1990 and the latter from around US\$ 3.8 billion to around US\$ 3.7 billion, respectively. Also in the early 1990s, Jordan, in contrast to Egypt, did not enjoy any debt forgiveness by its creditors. Consequently, Jordan's ratio of external debt to GDP increased from 174 per cent in 1989 to 178 per cent in 1990 and further to 195 per cent in 1991. The increase in the other ratio was much more pronounced, namely from 189 per cent to 223 per cent and further to 247 per cent. Both ratios, however, decreased gradually during the following years, but remained significantly higher than those of the other countries throughout most of the 1990s.

The rescheduling and forgiveness of the debt of a number of ESCWA member countries have reduced the burden of the debt service payments on government finance of these countries. For example, Egypt's ratio of debt service payments to the budget expenditures dropped significantly during the past decade, from 30.9 per cent in 1990 to 8.5 per cent in 1998, (table 16, chart 8). The ratio for Jordan which in 1990 amounted to 44.5 per cent remained relatively high at around 33.6 per cent in 1998. The Yemeni ratio remained almost unchanged at 5.5 per cent. During the past decade, however, the ratio experienced major ups and downs, increasing from 5.6 per cent in 1990 to 8.2 per cent in 1991, followed by a gradual decrease during the next three years, then by a gradual increase in the following years. For the six ESCWA member countries as a whole, the ratio decreased from 25.1 per cent in 1990 to 8.2 per cent in 1998.

The burden of debt service payments on government finance becomes more pronounced when the payments are related to the budget current expenditures. Egypt's ratio of debt service payments to budget current expenditures, amounted in 1990 to 37.4 per cent, decreased gradually during the following years, reaching 10.7 per cent in 1998 (table 17, chart 8). The ratio for Jordan which decreased from 52.9 per cent in 1990 to 41.4 per cent in 1998, recorded for a number of years levels higher than the 1990 level. This development resulted mainly from the increase in the debt service payments of Jordan. For example, the increase in the payments from US\$ 625 million in 1990 to US\$ 739 millions in 1991, (table 11), resulted in the ratio increasing from 52.9 per cent to 58 per cent. Likewise, the increase in the debt service payments from US\$ 614 million in 1995 to US\$ 1018 million in 1996 ended in the ratio increasing from 36.2 per cent to 53.4 per cent. The development of the ratio for the Syrian Arab Republic was an exception, compared with the development of the ratios for the other countries. The decision of the Syrian Arab Republic to stop servicing the debt owed to the former USSR and to Eastern European countries in the wake of the Gulf crisis, resulted in the debt service payments of the country decreasing from US\$ 1273 million in 1990 to US\$ 477 million in 1991. This in turn resulted in the ratio to current budget expenditure dropping from 33.2 per cent to only 9.4 per cent. In 1998, the ratio amounted to 3.3 per cent and was lower than the ratio of any of the other countries. For the ESCWA region as a whole, the combined ratio dropped from 30.8 per cent in 1990 to 10.9 in 1998.

Chart 6. Ratio of external debt to gross domestic product of selected ESCWA member countries, 1980-1998

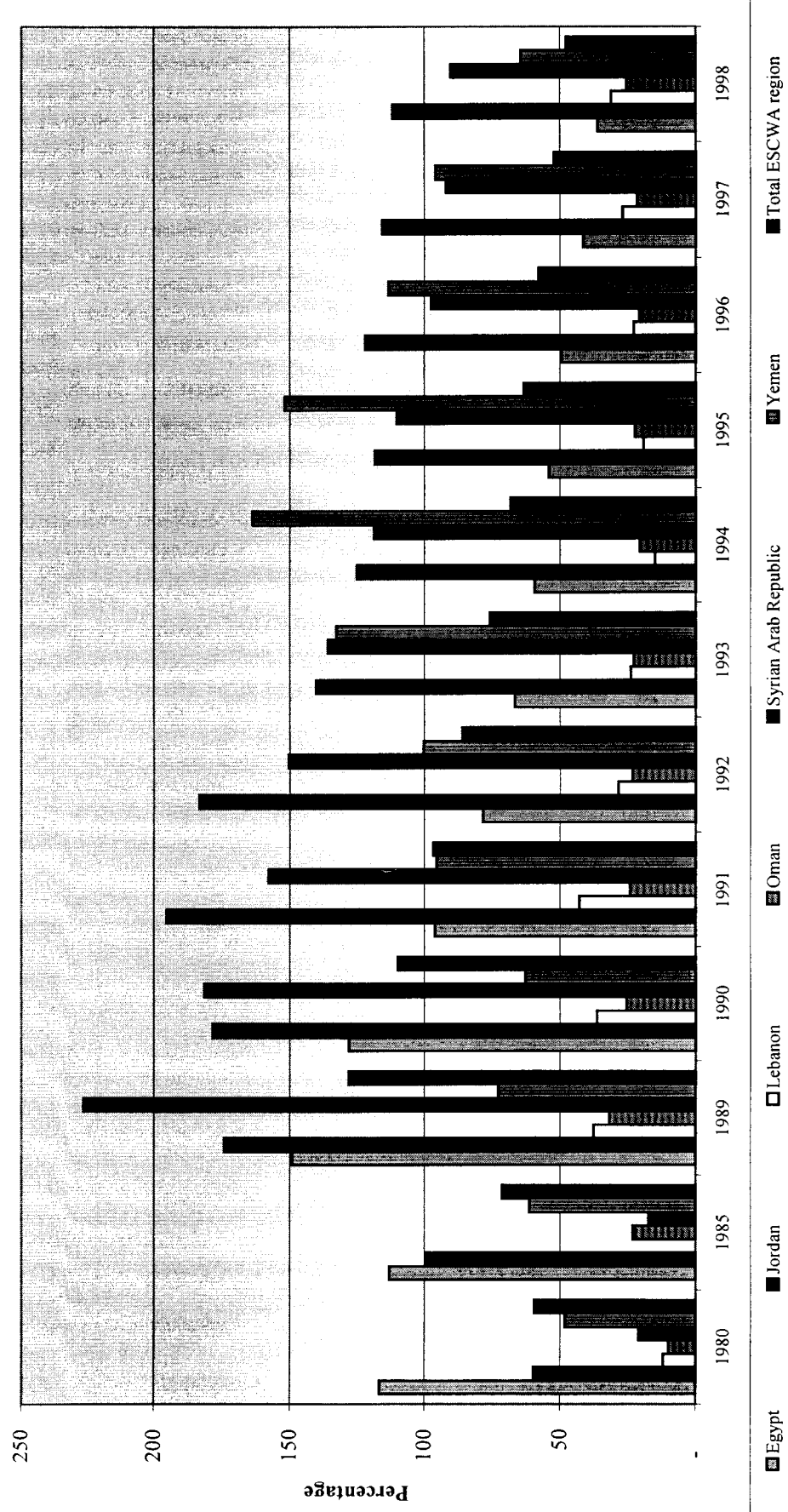


Chart 7. Ratio of external debt to gross national product for selected ESCWA member countries

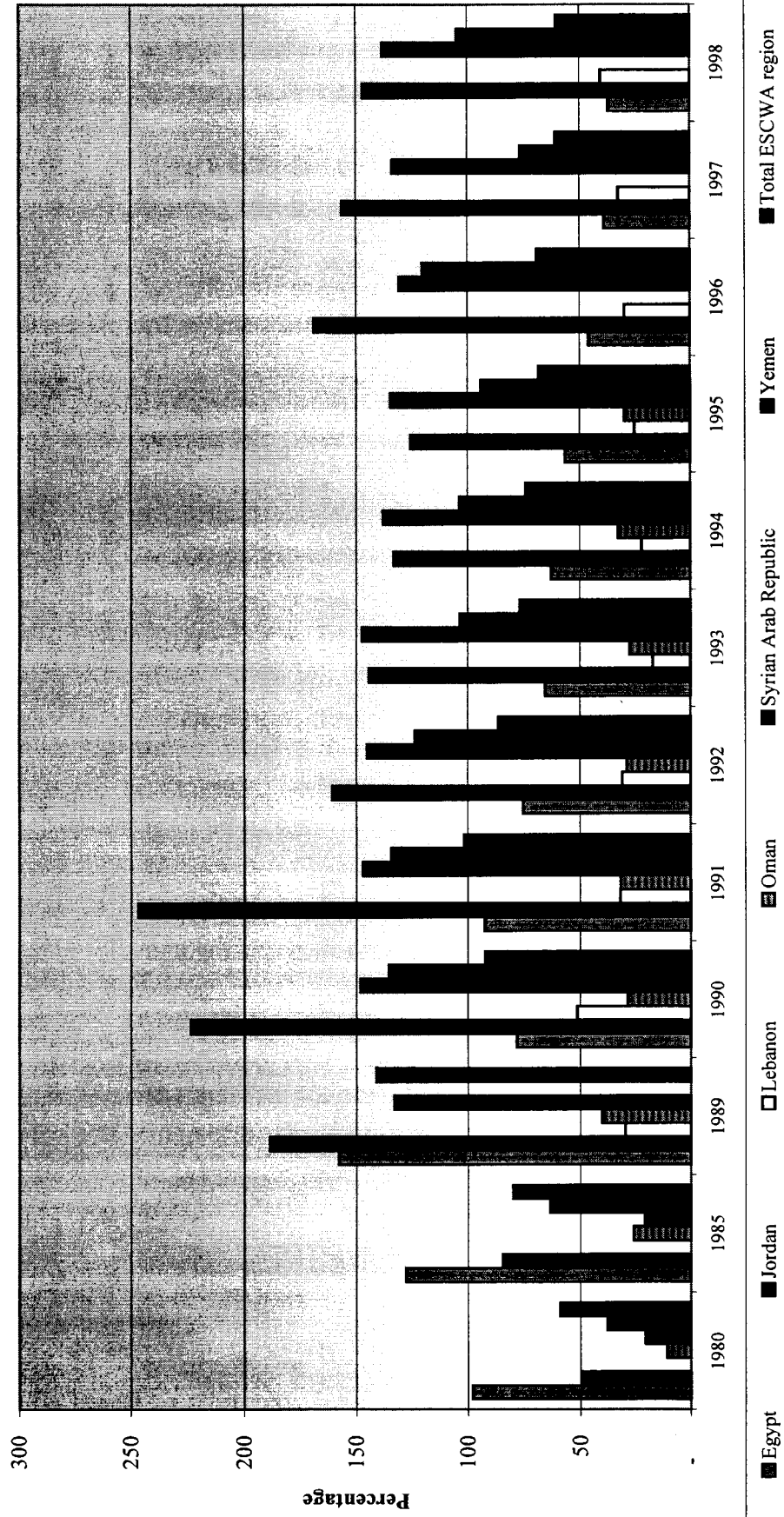


TABLE 12. DEBT SERVICE RATIO OF SELECTED ESCWA MEMBER COUNTRIES, 1980-1998
(percentage)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt	21.5	22.9	32.0	26.6	17.9	14.8	11.0	14.8	13.1	11.6	9.7	9.5
Jordan	9.3	16.7	19.7	20.3	24.2	19.6	15.2	13.6	12.7	19.1	16.6	16.4
Lebanon	-	6.2	3.2	3.3	3.7	4.4	4.3	5.3	5.0	6.4	14.4	18.6
Oman	5.7	5.4	14.1	12.3	10.9	8.9	10.4	9.4	7.6	9.9	5.9	-
Syrian Arab Republic	11.4	13.4	8.8	23.3	9.7	6.1	5.5	6.8	4.7	3.8	9.3	6.4
Yemen*	3.6	11.8	n.a.	5.5	8.2	5.7	4.9	3.5	3.2	2.3	2.6	4.2
Total ESCWA region**	14.2	16.3	20.4	18.6	14.1	11.8	9.7	10.8	9.5	9.9	9.7	12.1

* 1980 and 1985 figures for Yemen constitute are sum of the external debt for Yemen Arab Republic and the former People's Democratic Republic of Yemen. The Yemen Arab Republic and People's Democratic Republic of Yemen were unified into the Republic of Yemen on 22 May, 1990.

** Excluding other ESCWA countries, owing to lack of information.

Note: Figures may not add up, owing to rounding.

TABLE 13. EXPORTS OF GOODS AND SERVICES OF SELECTED ESCWA MEMBER COUNTRIES, 1980-1998
(US\$ million)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt	9 783	13 250	9 084	11 561	14 629	18 357	19 982	15 306	18 375	19 872	19 842	19 101
Jordan	2 496	3 103	3 014	3 079	3 049	3 623	3 961	4 150	4 839	5 319	5 476	5 485
Lebanon	n.a.	1 586	2 877	3 023	3 092	3 106	3 157	3 481	4 493	4 724	5 098	2 827
Oman	3 887	5 392	4 504	5 990	5 331	5 935	5 839	5 852	6 442	7 610	8 034	n.a.
Syrian Arab Republic	3 341	2 595	4 358	5 460	4 917	4 999	5 166	5 830	6 281	6 665	6 082	5 319
Yemen*	2 142	1 603	n.a.	3 079	2 464	2 353	2 431	3 056	3 184	3 591	3 710	2 976
Total ESCWA region**	21 649	27 529	23 837	32 192	33 482	38 373	40 536	37 675	43 614	47 781	48 242	35 708

Source: For 1980 and 1985: World Bank, World Debt Tables, 1989-1990; for 1989 to 1998, World Bank, Global Development Finance, various issues.

* 1980 and 1985 figures for Yemen are the sum of the external debt for Yemen Arab Republic and the former People's Democratic Republic of Yemen. The Yemen Arab Republic and People's Democratic Republic of Yemen were unified into the Republic of Yemen on 22 May, 1990.

** Excluding other ESCWA countries, owing to lack of information.

Note: Figures may not add up, owing to rounding.

TABLE 14. ESCWA REGION: RATIO OF EXTERNAL DEBT TO GROSS DOMESTIC PRODUCT AND TO GROSS NATIONAL PRODUCT OF SELECTED ESCWA MEMBER COUNTRIES, 1980-1998

A. RATIO OF EXTERNAL DEBT TO GROSS DOMESTIC PRODUCT
(percentage)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt	117	113	149	128	96	78	67	59	54	49	41	36
Jordan	60	99	174	178	195	183	140	125	118	122	116	112
Lebanon	12		38	36	43	28	24	15	19	23	27	31
Oman	10	23	32	25	24	23	23	21	22	21	22	25
Syrian Arab Republic	21	17	226	182	158	150	136	119	110	98	92	90
Yemen*	48	61	73	63	96	100	133	164	152	113	96	64
Total ESCWA region**	60	71	128	110	97	86	76	68	63	58	52	48

B. RATIO OF EXTERNAL DEBT TO GROSS NATIONAL PRODUCT
(percentage)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt	98	128	158	78	92	75	66	63	57	46	39	37
Jordan	50	85	189	223	247	161	144	133	125	169	156	147
Lebanon	-	-	30	51	32	31	17	22	26	30	33	41
Oman	11	26	40	29	32	29	28	33	30	-	-	-
Syrian Arab Republic	21	21	133	148	147	145	147	138	134	130	133	138
Yemen*	38	63	-	135	134	124	104	104	94	120	77	105
Total ESCWA region**	59	80	141	92	102	86	77	74	68	69	61	60

Source: calculated from table 2 and table 15.

* 1980 and 1985 figures for Yemen are the sum of figures for Yemen Arab Republic and the former People's Democratic Republic of Yemen. The Yemen Arab Republic and People's Democratic Republic of Yemen were unified into the Republic of Yemen on 22 May, 1990.

** Excluding other ESCWA countries, owing to lack of information.

Note: Figures may not add up, owing to rounding.

TABLE 15. ESCWA REGION: GROSS DOMESTIC PRODUCT AND GROSS NATIONAL PRODUCT OF SELECTED ESCWA MEMBER COUNTRIES, 1980-1998

A. GROSS DOMESTIC PRODUCT
(US\$ million)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt	18 015	35 420	30 499	35 489	34 228	41 647	46 677	51 471	60 000	67 690	75 605	82 704
Jordan	3 303	4 067	4 111	4 012	4 186	5 209	5 568	6 076	6 506	6 645	6 976	7 306
Lebanon	4 075	n.a.	2 718	2 812	4 151	5 464	7 539	8 924	10 968	12 996	14 867	16 167
Oman	5 981	10 019	9 361	11 670	11 327	12 436	12 477	12 902	13 785	15 258	15 817	14 144
Syrian Arab Republic	13 062	20 267	7 691	9 579	10 814	12 598	13 978	16 814	18 659	21 863	23 299	23 132
Yemen*	3 448	5 894	7 694	8 901	6 640	6 454	4 944	3 620	4 034	5 477	6 626	5 992
Total ESCWA region**	47 883	75 667	62 073	72 463	71 346	83 807	91 183	99 806	113 953	129 928	143 189	149 443

Source: UN-ESCWA, Statistics Abstract for the ESCWA Region, various issues.

* The 1980 and 1985 figures for Yemen are the sum of figures for Yemen Arab Republic and the former People's Democratic Republic of Yemen. The Yemen Arab Republic and People's Democratic Republic of Yemen were unified into the Republic of Yemen on 22 May, 1990.

** Excluding other ESCWA countries, owing to lack of information.

Note: Figures may not add up, owing to rounding.

B. GROSS NATIONAL PRODUCT
(US\$ million)

	1980	1985	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt	21 453	31 406	28 821	41 950	35 257	41 188	46 641	51 637	58 983	67 850	76 178	85 580
Jordan	3 989	4 776	3 795	3 660	3 868	4 864	5 272	5 796	6 475	4 781	5 232	5 776
Lebanon	n.a.	n.a.	3 408	3 461	4 825	5 788	7 706	9 436	11 551	13 283	15 342	16 504
Oman	5 338	8 850	7 351	9 445	9 088	9 820	9 565	9 360	10 531	n.a.	n.a.	n.a.
Syrian Arab Republic	13 073	16 681	13 074	11 522	12 886	13 114	13 555	14 921	15 854	16 415	15 634	16 271
Yemen*	4 360	5 691	n.a.	4 688	4 824	5 319	5 718	5 908	6 605	5 288	5 029	3 947
Total ESCWA region**	48 213	67 404	56 449	74 726	70 748	80 093	88 457	97 058	109 999	107 617	117 415	128 078

Source: World Bank, Global Development Finance, various issues.

* The 1980 and 1985 figures for Yemen are the sum of figures for Yemen Arab Republic and the former People's Democratic Republic of Yemen. The Yemen Arab Republic and People's Democratic Republic of Yemen were unified into the Republic of Yemen on 22 May, 1990.

** Excluding other ESCWA countries, owing to lack of information.

Note: Figures may not add up, owing to rounding.

Chart 8. Ratios of debt service payments to total government expenditures and government current expenditures

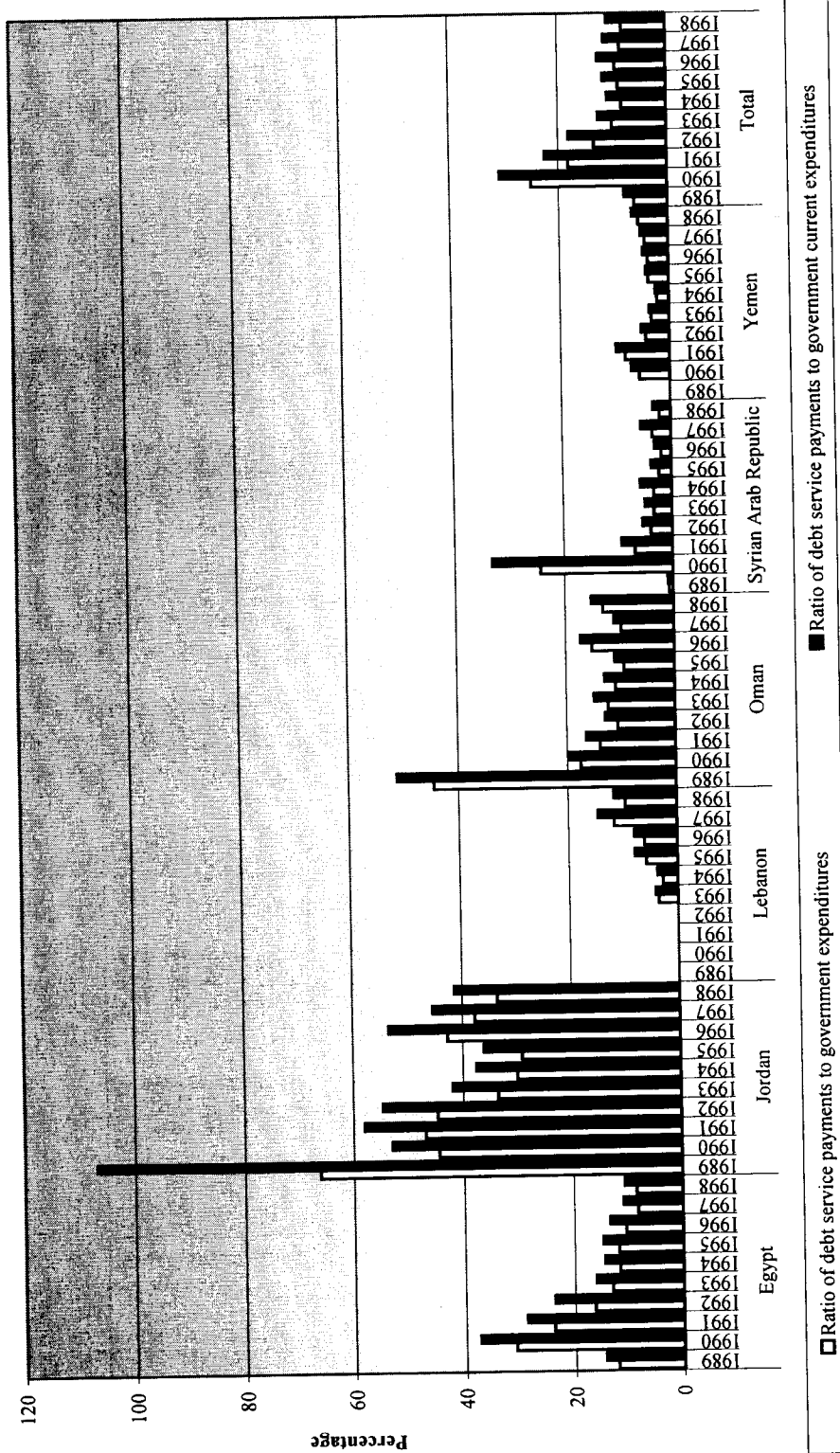


TABLE 16. RATIO OF DEBT SERVICE PAYMENTS TO TOTAL BUDGET EXPENDITURES OF SELECTED ESCWA MEMBER COUNTRIES, 1989-1998
(percentage)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt*	12.2	30.9	23.9	16.4	13.1	11.7	11.9	10.5	8.3	8.5
Jordan	66.1	44.5	46.9	44.7	33.6	30.1	29.2	42.8	37.7	33.6
Lebanon	n.a.	n.a.	n.a.	n.a.	3.5	2.8	5.8	6.1	11.6	9.6
Oman	44.5	17.5	14.0	10.6	12.3	10.9	9.4	15.2	9.7	13.1
Syrian Arab Republic	0.7	24.4	7.0	4.0	3.3	3.4	2.3	1.8	3.5	2.1
Yemen**	n.a.	5.6	8.2	4.4	3.3	2.2	3.8	3.9	4.4	5.5
Total ESCWA region	6.1	25.1	18.2	13.4	10.0	8.2	8.8	9.4	8.5	8.2

* Fiscal year starts on 1 July and ends on June 30 the following year.

** The 1989 figures are the sum of the figures of the Yemen Arab Republic and former People's Democratic Republic of Yemen. The Yemen Arab Republic and People's Democratic Republic of Yemen were unified into the Republic of Yemen on 22 May, 1990.

+ Excluding other ESCWA member countries, owing to lack of data.

TABLE 17. RATIO OF DEBT SERVICE PAYMENTS TO BUDGET CURRENT EXPENDITURES OF SELECTED ESCWA MEMBER COUNTRIES, 1989-1998
(percentage)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Egypt*	14.5	37.4	28.9	23.8	16.2	14.5	14.7	13.5	10.9	10.7
Jordan	106.8	52.9	58.0	54.6	41.9	37.6	36.2	53.4	45.4	41.4
Lebanon	n.a.	n.a.	n.a.	n.a.	4.1	3.7	7.9	7.9	14.6	11.7
Oman	51.2	19.6	16.5	12.9	14.9	13.0	11.1	17.3	11.1	15.2
Syrian Arab Republic	1.0	33.2	9.4	5.5	5.0	5.8	3.8	3.1	5.5	3.3
Yemen**	n.a.	7.1	9.9	5.1	3.7	2.5	4.3	4.7	5.1	6.7
Total ESCWA region+	8.0	30.8	22.5	18.1	12.6	10.9	11.6	12.6	11.5	10.9

* Fiscal year starts on 1 July and ends on June 30 the following year.

** The 1989 figures are the sum of the figures of the Yemen Arab Republic and former People's Democratic Republic of Yemen. The Yemen Arab Republic and People's Democratic Republic of Yemen were unified into the Republic of Yemen on 22 May, 1990.

+ Excluding other ESCWA member countries, owing to lack of data.

IV. CASE STUDIES

A. EGYPT EXTERNAL DEBT

1. *Summary of external debt main indicators*

Table 18 reveals a positive trend in the main external debt indicators over the period 1990 to 1998. The ratio of total external debt to GNP declined significantly from 78.3 per cent in 1990 to 37.4 per cent in 1998 due to an average annual rate of growth of the GNP of about 9.2 per cent coupled with a negative average annual growth of debt of around 3 per cent. There was also a significant drop in the ratio of total debt to exports from 241 in 1990 to 167.3 per cent in 1998 per cent; a decline in the ratio of debt service payments to exports from a high of 22.5 per cent to 9.5 per cent; and a reduction in the ratio of debt interest payments to GNP from 3.2 per cent in 1990 to 1.1 per cent in 1998. The ratio of concessional debt to total debt increased significantly from 38 per cent in 1990 to 73.4 per cent in 1998.

Egypt's economic growth during the past decade was not an export led growth but the result of a number of factors including economic liberalization, debt forgiveness and improvement in the terms of debt service payments.

TABLE 18. EGYPT: EXTERNAL DEBT INDICATORS BASED ON GLOBAL DEVELOPMENT FINANCE, 2000
(Percentage)

	1980	1990	1992	1993	1994	1995	1996	1997	1998
TDS/XGS	13.4	22.5	15.9	11.2	14.9	13.4	12.7	9.7	9.5
Short-term/EDT	21.1	13.5	8.1	6.6	6.0	7.1	7.5	10.0	13.3
RES/MGS(MONTHS)	3.1	2.8	9.8	10.4	11.1	11.2	11.6	11.3	9.9
RES/EDT	13.0	11.0	37.4	45.4	44.6	51.5	58.5	64.9	58.9
Multilateral/EDT	13.7	10.4	10.6	11.8	12.1	11.9	12.6	13.0	13.1
INT/XGS	8.6	9.7	7.2	6.3	8.6	7.8	6.5	5.0	4.7
INT/GNP	3.7	3.2	3.1	2.7	2.5	2.3	1.7	1.3	1.1
EDT/XGS	207.7	241.0	183.4	157.1	215.0	187.0	173.5	150.4	167.3
EDT/GNP	89.2	78.3	77.4	67.2	63.3	55.7	46.4	39.2	37.4
Concessional/EDT	42.4	38.0	55.2	59.0	60.4	61	76.8	75.7	73.4

Source: World Bank, *Global Development Finance 2000*.

* TDS: Debt Service Payments.

XGS: Exports of Goods and Services.

RES: International Reserves.

MGS: Imports of Goods and Services.

EDT: Total External Debt.

GNP: Gross National Product.

2. *Egypt's external debt according to the Creditor and the Debtor Report System*

(a) *Size of the debt*

Among the more diversified economies in the ESCWA region (ESCWA-MDE), the Egyptian economy remains the most heavily indebted of them all,¹² with an external debt of about US\$ 27.7 billion in 1998 according to the Credit Report System (CRS).¹³ However, when compared to that of other developing countries of similar economic and social conditions, Egypt's external debt remains moderate. Turkey's external debt reached US\$ 67 billion by the end of 1998 according to the CRS (US\$ 102 billion according to the DRS) while Mexico's debt exceeded US\$ 154 billion according to the CRS (US\$ 154 according to the DRS).

¹² This is true in terms of the absolute value of the debt but not in terms of the size of the debt relative to the economy.

¹³ The Debtor Report System (DRS) estimates the debt at some US\$32 billion in 1998.

Egypt's external debt represents about 51 per cent of the total external debt of ESCWA-MDE countries and 17.6 per cent of the total external debt of all ESCWA member countries according to the Credit Report System (CRS).¹⁴

Following a period of rapid debt accumulation during the 1980s, Egypt's debt to GNP ratio reached levels of unprecedented magnitudes (over 150 per cent). However, the debt rescheduling and forgiveness that took place in the early 1990s in the wake of the Gulf war led to a reduction of the size of the debt relative to GNP to sustainable levels, enabling the economy to enter a period of sustained growth during most of the 1990s. At the end of 1998, Egypt's debt to GNP ratio stood at 37.4 per cent; the lowest rate registered by ESCWA-MDE countries for that year.

The economic difficulties that Egypt encountered since the late 1990s, however, resulted in seemingly unfavorable development in its external position and led to a change in the structure of the debt.

TABLE 19. RATIO OF EXTERNAL DEBT TO GNP OF INDEBTED ESCWA MEMBER COUNTRIES WITH MORE DIVERSIFIED ECONOMIES, 1990-1998
(Percentage)

	1990	1992	1993	1994	1995	1996	1997	1998
Egypt	78.3	77.4	67.2	63.3	55.7	46.4	39.2	37.4
Jordan	223.5	158.6	142.1	131.5	128.0	168.9	156.2	146.9
Lebanon	51.4	31.2	17.5	22.5	25.7	30.1	32.8	40.8
Syrian Arab Republic	148.1	147.4	149.5	133.1	126.7	127.7	133.5	137.9
Yemen	135.4	123.1	132.9	186	178.1	137.6	76.7	104.8

Source: World Bank, *Global Development Finance 2000*.

The share of total debt-to-exports fell from 241 per cent in 1990 to 167.3 per cent in 1998 (table 20). However, despite being significantly lower than that of Lebanon (237.9 per cent) and the Syrian Arab Republic (421.8 per cent), Egypt's debt-to-export ratio was higher than that of Jordan and Yemen (154.7 per cent and 139 per cent respectively).

TABLE 20. EXTERNAL DEBT TO EXPORT OF GOODS AND SERVICES OF INDEBTED ESCWA MEMBER COUNTRIES WITH MORE DIVERSIFIED ECONOMIES, 1990-1998
(Percentage)

	1990	1992	1993	1994	1995	1996	1997	1998
Egypt	241.0	183.4	157.1	215.0	187.0	173.5	150.4	167.3
Jordan	265.6	215.7	192.1	185.7	167.7	151.8	149.3	154.7
Lebanon	58.9	58.1	42.6	60.9	66.0	84.6	98.7	237.9
Syrian Arab Republic	312.6	380.4	378.3	352.6	339.4	327.3	343.1	421.8
Yemen	209.7	284.1	246.3	200.6	192.2	175.3	104.0	139.0

Source: World Bank, *Global Development Finance 2000*.

(b) *Composition of the debt*

The structure of Egypt's external debt is presented in tables 21 (CRS) and 22 (DRS).

¹⁴ The Debtor Report System (DRS) estimates the debt at about 44 per cent of total external indebtedness of ESCWA-MDE.

TABLE 21. EGYPT: EXTERNAL DEBT ACCORDING TO THE CREDITOR REPORT SYSTEM, 1990-1998
(Million of US dollars)

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Bank loans	NA	NA	NA	NA	NA	NA	3 065	3 576	4 759
Non-bank trade credits	NA	7 733	7 613	6 915	6 837	8 383	7 429	6 048	6 880
Multilateral claims	2 846	2 752	2 861	3 066	3 240	3 124	2 964	2 806	2 866
Official bilateral loans (DAC creditors)	11 207	12 798	12 892	13 364	13 758	14 273	13 468	12 608	13 217
Grand Total	14 053	23 283	23 366	23 345	23 835	25 780	26 926	25 038	27 722

Source: BIS/OECD database.

TABLE 22. EGYPT: EXTERNAL DEBT ACCORDING TO THE DEBTOR REPORT SYSTEM, 1970-1998
(Million of US dollars)

	1970	1980	1990	1992	1994	1996	1998
Bilateral loans	1 167	9 997	17 761	21 377	23 821	23 585	22 555
Multilateral loans	22	2 625	3 427	3 300	3 912	3 933	4 195
Total official loans	1 189	12 622	21 188	24 677	277 333	27 518	26 750
Commercial banks	36	257	624	713	553	437	453
Other private	126	1 416	5 560	2 358	1 529	856	466
Total private creditors	162	1 805	6 184	3 071	2 082	1 293	919
Total long term debt	1 351	14 427	27 372	27 748	29 815	28 811	27 669
Short term debt (including IMF)	NA	4 027	4 450	2 516	1 931	2 347	4 260
Total external debt	1 400	19 130	32 947	31 066	32 314	31 301	31 963

Source: World Bank, *Global Development Finance 2000*.

(i) *Official Bilateral loans*

According to the CRS (table 21), official bilateral loans (OBLs) represented 46 per cent of Egypt's total external debt in 1998 or about US\$ 13 billion. This is the equivalent of 70 per cent of all OBLs granted to ESCWA-MDE countries and about 55 per cent of OBLs granted to all ESCWA countries (US\$ 23.7 billion), tables 5 and 6.

On the other hand, the DRS reports a much higher level of OBLs; US\$ 22.6 billion at the end of 1998. The difference between the two figures is attributed to bilateral debt still due to the former Soviet Union and to Arab countries that are not included in the CRS.

(ii) *Multilateral Claims*

Egypt's multilateral claims grew between 1990 and 1994, from 2.8 to US\$ 3.2 billion before falling back to US\$ 2.8 by the end of 1998, representing 10.3 per cent of Egypt's total external debt and almost 46 per cent of all multilateral claims of ESCWA-MDE countries (CRS).

The DRS, on the other hand, shows that these claims reached \$4.2 billion in 1998 and accounted for 49 per cent of multilateral claims on ESCWA-MDE. The US\$ 1.2 billion difference between the DRS and CRS can be attributed to loans received from Arab and Islamic multilateral Agencies that are not part of the CRS. Egypt's share of total multilateral claims of ESCWA-MDE countries increased from around 25 per cent in 1990 to 49 per cent in 1998 according to the DRS, but declined from around 15 per cent to around 5 per cent, according to the CRS.

(iii) *Private creditors*

Total debt from private sources represents a relatively smaller share of Egypt's total external debt (42 per cent), table 21.

According to the CRS, Egypt was indebted with US\$ 11.7 billion at the end of 1998 to foreign private creditors in the form of commercial bank loans (US\$ 4.8 billion) and non-bank trade credits (US\$ 6.9 billion). While bank loans increased from US\$ 3.1 billion in 1996 to over US\$ 4.8 billion in 1998, non-bank trade credits fluctuated within a band of US\$ 6 billion and US\$ 7 billion, in spite of an increase of 40 per cent in imports during this period.

On the other hand, the DRS estimates the long-term indebtedness to external private creditors at only US\$ 919 million in 1998. By adding the short-term debt of around US\$ 4.3 billion, external private debt would increase to around US\$ 5.2 billion.

It is worth noting, however, that the BIS/OECD database reports a decline in Egypt's claims and liabilities to foreign banks. Bank Loans and non-bank trade credits fell from US\$ 24.5 billion in 1996 to US\$ 21.6 billion in 1998 (table 5). Total liabilities to banks have decreased from US\$ 16.5 billion in 1996 to US\$ 14.1 billion in 1998, while total trade credits have slightly dropped from US\$ 8 billion to US\$ 7.5 billion.

TABLE 23. TOTAL FOREIGN LIABILITIES AND CLAIMS OF EGYPT, 1991-1998
(*Million US dollars*)

Creditor Report System	1991	1992	1993	1994	1995	1996	1997	1998
Total liabilities to banks (locational)	5 773	4 269	3 526	3 074	3 112	3 078	3 603	4 823
Total liabilities to banks (consolidated)	5 499	4 129	3 464	3 399	3 487	3 532	3 993	5 221
Total trade credits	11 246	9 962	8 668	8 712	9 638	8 053	6 541	7 514
Total claims on banks	20 465	22 327	25 597	27 970	27 267	24 497	23 375	21 621

Source: BIS/OECD joint database.

3. *Level of reserves and external debt*

Table 24 reveals that the ratio of international reserves (excluding gold) to short-term private debt increased significantly from 1.4 in 1991 to 5.3 in 1997 before declining to 4 in 1998. The decline in 1998 is attributed to a sharp increase in the size of total short-term liabilities to banks (from US\$ 2.9 billion in 1997 to US\$ 4.2 billion in 1998).

TABLE 24. EGYPT: DEVELOPMENT OF SHORT-TERM DEBT AND INTERNATIONAL RESERVES, 1990-1998
(*Million US dollars*)

Creditor Report System	1990	1991	1992	1993	1994	1995	1996	1997	1998
Liabilities to banks - due within a year	2 988	2 933	2 432	2 021	2 132	2 463	2 413	2 875	4 170
Non-bank trade credits - due within a year		1 028	930	559	503	747	818	678	414
International reserve assets (excluding gold)	2 684	5 325	10 810	12 904	13 481	16 181	17 398	18 665	18 124

Source: BIS/OECD joint database.

4. *External debt flows*

DRS data show an increasingly negative trend in Egypt's external debt flows (repayments less disbursements) and net debt service (net debt flows minus interest payments). This trend, however, has been

compensated by substantial increases in the short-term debt. In 1996, outflow of net resources (debt service payments) to creditor countries amounted to US\$ 2.3 billion. This amount declined to US\$ 1.9 billion and US\$ 1.8 billion in 1997 and 1998, respectively (table 25).

TABLE 25. EGYPT: DEVELOPMENT OF EXTERNAL DEBT FLOWS, 1970-1998
(Million US dollars)

	1970	1980	1990	1992	1994	1996	1997	1998
I. Repayments								
Long term debt	225	343	1 696	1 437	923	1 020	926	912
IMF	9	103	47	41	22	85	15	0
Short term debt	0	NA	1 502	583	72	24	0	0
Total	234	446	3 245	2 061	1 017	1 129	941	912
II. Disbursements								
Long term debt	170	2 680	1 997	1 348	1 047	583	765	459
IMF	18	63	0	123	0	0	0	0
Short term debt	NA	168	NA	NA	NA	NA	644	1 271
Total	188	2 911	1 997	1 471	1 047	583	1 409	1 730
III. Net flows on principal								
Long term debt	(55)	2 337	301	(89)	124	(437)	(161)	(453)
IMF	9	(40)	(47)	82	(22)	(85)	(15)	0
Short term debt	0	168	(1 502)	(583)	(72)	(24)	644	1 271
Total	(46)	2 465	(1 248)	(590)	30	(546)	468	818
IV. Interest payments								
Long term debt	37	350	1 012	1 040	1 155	1 041	724	674
IMF	0	18	15	14	10	3	0	0
Short term debt	0	422	301	168	130	133	262	227
Total	37	790	1 328	1 222	1 295	1 177	986	901
Total debt service								
Long term debt	262	693	2 708	2 477	2 078	2 061	1 650	1 586
IMF	9	121	62	55	32	88	15	0
Short term debt	0	422	1 803	751	202	157	262	227
Total	271	1 236	4 573	3 283	2 312	2 306	1 927	1 813
Total net transfers on debt								
Long term debt	(92)	1 987	(711)	(1 129)	(1 031)	(1 478)	(885)	(1 127)
IMF	9	(58)	(62)	68	(32)	(88)	(15)	0
Short term debt	0	(254)	(1 803)	(751)	(202)	(157)	382	1 044
Total	(83)	1 675	(2 576)	(1 812)	(1 265)	(1 723)	(518)	(83)

Source: World Bank, *Global Development Finance* 2000.

() Indicates negative.

5. Debt restructuring and debt forgiveness and their impact on debt sustainability

Egypt enjoyed substantial debt forgiveness during the 1990s. According to the World Bank's *Global Development Finance Report 2000*, debt forgiveness granted to Egypt by its creditors during the period 1990 to 1998 amounted to around US\$ 10.8 billion of which US\$ 10.6 billion was made in 1990 (table 26). The World Bank's *World Debt Tables*, on the other hand,¹⁵ show that Egypt's debt forgiveness amounted US\$ 12.5 billion of which US\$ 2.7 billion were granted in 1989 and US\$ 9.1 billion in 1990. Moreover, a total amount of US\$ 13.3 billion of debt was rescheduled; US\$ 5.2 billion in 1987 and US\$ 5.3 billion in 1991. As

¹⁵ The World Bank's *World Debt Tables* have been replaced by the *Global Development Finance Report*.

a result, the total external debt fell down from US\$ 52.7 billion in 1988 to US\$ 40.5 billion in 1990 while the long-term debt decreased from US\$ 44.4 billion in 1988 to US\$ 34.3 billion in 1990.

TABLE 26. EGYPT: DEVELOPMENT OF EXTERNAL DEBT RESTRUCTURING AND FORGIVENESS
(Millions of US dollars)

Debt restructuring	1987	1988	1989	1990	1991	1992	1993	1994	Total
Principal rescheduled (Official)	1 676	228	-	-	1 786	130	106	88	4 014
Principal rescheduled (Private)	1 561	408	-	-	1 877	415	315	263	4 839
Total	3 237	636	-	-	3 663	545	421	351	8 853
Interest rescheduled (Official)	1 459	357	-	-	1 054	36	25	25	2 956
Interest rescheduled (Private)	487	143	-	-	597	118	83	60	1 488
Total	1 946	500	-	-	1 651	154	108	85	4 444
Total debt rescheduled	5 183	1 136	-	-	5 312	699	529	436	13 297
Debt forgiven	-	-	2 705	9 145	192	45	31	27	12 145
Total	5 183	1 136	2 705	9 145	5 506	744	560	463	25 442

Source: World Bank, *World Debt Tables* 1996.

6. Average terms of new commitment

The improvement in terms and conditions of Egypt's external debt during the past decade was reflected in the positive development of the average terms of new commitments. Table 27 reveals an improvement in the terms and conditions of Egypt's external debt during the first half of the nineties followed by negative developments during the period 1996 to 1998.

The average rate of interest on the external debt gradually declined from 5.3 per cent in 1990 to 1.4 per cent in 1996 before rising to 5.3 per cent in 1997 and then falling to 3.4 per cent in 1998. Grants, on the other hand, increased significantly from 36 per cent in 1990 to a peak of 72 per cent in 1996 before declining to 52.6 per cent in 1998. Moreover, maturity and grace periods increased from 25.5 and 7 years respectively in 1990 to 32.8 and 9.5 years in 1996 before falling to 27.3 and 7.7 years in 1998.

The improvement in the terms and conditions of Egypt's external debt can be attributed to the substitution of private debt for official loans (table 27). In fact, total private debt dropped from US\$ 6.2 billion in 1990 to less than a billion in 1998 while total official loans increased from US\$ 21.2 billion in 1990 to US\$ 26.8 billion in 1998.

TABLE 27. EGYPT: DEVELOPMENT OF TERMS AND CONDITIONS OF EXTERNAL DEBT, 1970-1998
(Percentage)

	1970	1980	1990	1992	1994	1996	1997	1998
Official Creditors								
Interest	5.2	3.3	4.7	3.9	2.1	1.4	3.2	3.4
Maturity (years)	14.9	36.4	28.2	27	33.4	32.8	26	27.3
Grace period (years)	8.2	8.9	7.6	7.3	8.5	9.5	7.7	7.7
Grant element	27.5	56.9	41.6	47.1	64.7	72	54.2	52.6
Private Creditors								
Interest	5.9	7.9	8.4	4	6.2	0	6.9	0
Maturity (years)	4.7	9.6	1.5	20.6	11.7	0	7.9	0
Grace period (years)	1.5	2.5	3.4	6.7	1.2	0	0.9	0
Grant element	10.6	8.3	6.9	40.4	16.7	0	9.7	0
All Creditors								
Interest	5.2	5	5.3	3.9	2.3	1.4	5.3	3.4
Maturity (years)	14.3	26.6	25.5	26.3	32.4	32.8	15.6	27.3
Grace period (years)	7.8	6.6	7	7.3	8.2	9.5	3.8	7.7
Grant element	26.5	39.1	36	46.4	62.5	72	28.6	52.6

Source: For 1970 to 1994, World Bank, *World Debt Tables*, 1996; For 1995 to 1998, World Bank, *Global Development Finance* 2000.

7. Debt sustainability compared to other ESCWA member countries

Compared to other indebted ESCWA-MDE member countries, Egypt appears to have fared well in terms and conditions of its external debt.

With the exception of Yemen, Egypt's debt indicators have been more favorable than those of Jordan, Lebanon and the Syrian Arab Republic. Indeed, Egypt has the highest ratio of concessional debt-to-total debt; it also has the lowest ratios of total debt-to-GNP and total debt-to-exports. Moreover, the ratio of interest payments-to-GNP (1.1 per cent) is the lowest among those of other ESCWA-MDE countries. However, Egypt's total debt service-to-exports ratio (9.5 per cent) is higher than that of the Syrian Arab Republic (6.4 per cent) and Yemen (4.2 per cent).

It is noteworthy, however, that the low level of Egypt's exports does not constitute a major constraint in raising additional funds in the international markets since a significant part of the debt is concessional with high grant element.

B. JORDAN EXTERNAL DEBT

1. Summary of external debt main indicators

Jordan's external debt constitutes a major burden for the Jordanian economy. Jordan, likewise Lebanon, has to deal with a problem of excessive indebtedness. However, while Jordan's main problem is the external debt, Lebanon's problem is the domestic debt. Jordan's domestic debt is well under control and moderate amounting to only US\$ 2 billion against over US\$ 16.5 billion for Lebanon.

Jordan's debt-to-GNP ratio was the highest among ESCWA-MDE in 1998 (146.9 per cent).¹⁶ Following rescheduling of some of the debt in 1993, the ratio of total debt-to-GNP dropped to 128 per cent in 1995 (from 142.1 per cent in 1992) before climbing to a peak high of 168.9 per cent in 1996 and then falling back to 146.9 per cent in 1998 (table 28). The ratio of external debt-to-export, on the other hand, declined over the years from a high 265.6 per cent in 1990 to 154.7 per cent in 1998; a lower estimate than that of Egypt (167.3 per cent) and Lebanon (237.9 per cent).

TABLE 28. JORDAN: MAIN DEBT INDICATORS OF EXTERNAL DEBT
(Percentage, except where otherwise indicated)

	1980	1990	1992	1993	1994	1995	1996	1997	1998
Concessional/EDT	41.6	31.0	34.4	38.7	39.8	42.1	43.6	42.5	45.2
EDT/GNP	48.4	223.5	158.6	142.1	131.5	128.0	168.9	156.2	146.9
EDT/XGS	105.4	265.6	215.7	192.1	185.7	167.7	151.8	149.3	154.7
INT/GNP	2.6	10.2	6.6	4.8	4.2	4.4	8.9	7.7	8.3
INT/XGS	5.7	12.2	9.0	6.4	5.9	5.7	8.0	7.4	8.8
Multilateral/EDT	8.1	10.8	11.5	12.6	13.2	14.9	17.2	17.9	19.6
RES/EDT	88.5	13.9	13.2	25.6	25.9	28.1	25.5	29.8	23.4
RES/MGS (months)	8.5	3.4	2.6	4.8	5.0	5.2	4.2	5.2	4.2
Short-term/EDT	24.6	12.7	10.0	10.0	8.8	9.7	7.4	9.2	7.0

Source: World Bank, *Global Development Finance 2000*.

* TDS: Debt Service Payments.

XGS: Exports of Goods and Services.

RES: International Reserves.

MGS: Imports of Goods and Services.

EDT: Total External Debt.

GNP: Gross National Product.

¹⁶ The ratio for the Syrian Arab Republic that comes second to Jordan is artificially high, since the Syrian debt to the former Soviet Union has not been re-adjusted to take into account the change in the value of the currencies implied.

The ratios of interest payments to-GNP and to-Exports reflect the high burden that the servicing of the debt put on the Jordanian economy. Both ratios dropped from 10.2 per cent and 12.2 per cent respectively in 1990 to 4.4 per cent and 5.7 per cent respectively in 1995 before climbing to 8.3 per cent and 8.8 per cent respectively in 1998. The interest payments to-GNP ratio is by far the highest in the ESCWA region, standing at 8.3 per cent against 2.2 per cent for Lebanon, 1.1 per cent for Egypt, 1.5 per cent for the Syrian Arab Republic and 1.3 per cent for Yemen (1998).

The share of concessional debt out of total external debt grew steadily from 31 per cent in 1990 to 45.2 per cent in 1998. However, it remained lower compared to that of Egypt (73.4 per cent), the Syrian Arab Republic (67.2 per cent) and Yemen (78.7 per cent), table 8. Moreover, the share of multilateral debt almost doubled over the last decade, rising from 10.8 per cent in 1990 to 19.6 per cent in 1998, ranking second after Yemen (36.8 per cent).

2. Jordan's external debt according to the Creditor and the Debtor Report System

(a) Size of the debt

The negative impact of the Gulf crisis of 1990-1991 on Jordan added to the already heavy burden of its external debt. The debt rescheduling and forgiveness that Jordan enjoyed following the conclusion of a peace treaty with Israel were not substantial enough, to help to significantly alleviate its debt burden as has been the case of Egypt and, more recently of Yemen. In fact, the external debt indicators of Jordan have not improved during the past few years, nor has the level of Jordan's external debt decreased or stabilized as is the case of Egypt and Yemen. The external debt of Jordan increased by 210 per cent during the period 1990 to 1998 from \$US 1.9 billion (1990) to \$US 5.8 billion (1998), table 29.

TABLE 29. JORDAN: EXTERNAL DEBT ACCORDING TO THE CREDITOR REPORT SYSTEM, 1990-1998
(Millions of US dollar)

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Bank loans	NA	NA	NA	NA	NA	NA	1026	988	928
Debt securities issued abroad	NA	NA	NA	NA	NA	50	50	150	150
Brady bonds	NA	NA	NA	NA	NA	NA	NA	NA	NA
Non-bank trade credits		1 120	1 037	1 124	1 207	1 762	1 215	1 128	565
Multilateral claims	687	682	756	747	851	1 057	1 184	1 241	1 277
Official bilateral loans (DAC ^{a/} creditors)	1 195	1 716	1 929	2 122	2 135	2 473	2 396	2 730	2 924
Total	1 882	3 518	3 722	3 993	4 193	5 342	5 871	6 237	5 844

Source: Joint BIS/OECD database.

^{a/} Development Assistance Committee.

Jordan, together with Lebanon, has the highest external debt service ratios in the region -- debt service-to-GNP and to-exports. Both ratios reflect the high debt burden on the Jordanian economy. Moreover, the total external debt-to-GNP ratio is the highest among ESCWA-MDE countries (around 150 per cent).

Jordan's external debt represents only a small share of the total external debt of the ESCWA region. According to the CRS statistics, Jordan's external debt represented in 1998 only around 4.6 per cent of the total external debt of all ESCWA countries combined, but around 11 per cent of the external debt of ESCWA-MDE, almost equal to the ratio derived from the DRS statistics (11.4 per cent).

(b) Composition of the debt

Official bilateral loans and multilateral claims constitute the major components of the external debt with US\$ 4.2 billion at the end of 1998 (around 72 per cent of the total external debt), table 29. According to the CRS statistics, the Jordanian share of official bilateral loans from OECD countries represented around 13.1 per cent of total loans to ESCWA countries. This makes Jordan the second largest recipient of such OECD loans after Egypt (54.7 per cent). Moreover, multilateral loans represented around 22.7 per cent of

total loans to ESCWA countries, making Jordan the third largest recipient of such funding after Egypt (45.1 per cent) and Yemen (26.5 per cent).

Bank loans remained stable at the level of approximately US\$ 1 billion over the period 1996-1998 while non-bank trade credits dropped to US\$ 565 million in 1998 following a peak of around US\$ 1.8 billion in 1995.¹⁷

Jordan has been the only ESCWA member country that has issued Brady bonds in the context of rescheduling its external debt. The first of such bond issues was made in 1999 and amounted to US\$ 711 million. The Brady bond issues are expected to have a positive impact on the level of debt service payments.

According to the DRS statistics, the total external debt of Jordan amounted to around US\$ 8.5 billion at the end of 1998 allocated as follows; US\$ 7.4 billion of long-term debt, US\$ 594 million of short-term debt and US\$ 469 million in the form of IMF credit facilities (table 30).

Despite the rescheduling and forgiveness of a significant share of Jordan's external debt, the debt increased by over US\$ 400 million, from around US\$ 8.1 billion in 1990 to around US\$ 8.5 billion in 1998.

In 1980, at the height of the oil boom era, total external debt of Jordan amounted to around US\$ 2 billion only, including short-term debt of around US\$ 0.5 billion. The long-term debt which in 1980 totaled only US\$ 1.5 billion, increased to over US\$ 7 billion in 1990.

TABLE 30. JORDAN: EXTERNAL DEBT ACCORDING TO THE DEBTOR REPORT SYSTEM, 1970-1998
(Millions of United States dollar, except otherwise indicated)

	1970	1980	1990	1992	1994	1996	1998
I. Official creditors							
Multilateral	9	159	887	900	1 016	1 385	1 658
Bilateral	100	1 052	2 716	3 100	3 603	4 032	4 365
Total	109	1 211	3 603	4 000	4 619	5 417	6 023
Multilateral (percentage)	8	13	25	23	22	26	28
Bilateral (percentage)	92	87	75	78	78	74	72
Total	100	100	100	100	100	100	100
II. Private creditors							
Bonds	0	0	263	191	824	796	875
Commercial banks	0	206	1 604	1 509	465	217	58
Other private	10	70	1 573	1 223	976	662	432
Total	10	276	3 440	2 923	2 265	1 675	1 365
Bonds (percentage)	0	0	8	7	36	48	64
Commercial banks (percentage)	0	75	47	52	21	13	4
Other private (percentage)	100	25	46	42	43	40	32
Total	100	100	100	100	100	100	100
Total I + II	119	1 487	7 043	6 923	6 884	7 092	7 388
<i>Official/private to total (percentage)</i>							
Official to total (percentage)	92	81	51	58	67	76	82
Private to total (percentage)	8	19	49	42	33	24	18
Total	100	100	100	100	100	100	100
Long term debt	119	1 487	7 043	6 923	6 884	7 092	7 388
Use of IMF Credit	0	0	94	112	144	340	469
Short term debt	0	485	1 040	783	681	597	594
Private not guaranteed	0	-	-	-	-	45	34
Total	119	1 972	8 177	7 818	7 709	8 074	8 485

Source: World Bank, *Global Development Finance 2000*.

¹⁷ The CRS statistics started recording bank loans only in 1996.

Up to 1992, Jordan's external debt was almost equally divided between official and private creditors. By 1998, however, the share of private debt dropped to around 18 per cent from 49 per cent in 1990 (table 30); commercial bank credit¹⁸ dropped from over US\$ 1 billion in 1990 to US\$ 621 million in 1998, (table 31). However, the rise in commercial bank credit to US\$ 791 million in 1999 appears to indicate a reverse in the trend.

TABLE 31. JORDAN: FOREIGN POSITION IN TERMS OF LIABILITIES AND CLAIMS, 1990-1999
(Millions of US dollar)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Liabilities to banks - due within a year	1 022	869	927	788	669	728	479	676	504	677
Non-bank trade credits - due within a year	NA	135	123	97	127	114	144	111	117	114
Total	1022	1 004	1 050	885	796	842	623	787	621	791
Total liabilities to banks (locational)	2 541	2 188	1 832	1 575	1 352	1 351	1 121	1 129	1 020	1 257
Total liabilities to banks (consolidated)	2 271	2 034	1 540	1 381	1 176	1 136	960	1 040	887	1 126
Total trade credits	NA	2 134	1 864	1 802	2 167	2 218	1 598	1 500	987	897
Total claims on banks	4 785	7 019	6 878	6 202	6 334	6 734	7 138	7 645	7 746	8 549
International reserve assets (excluding gold)	849	826	767	1 637	1 693	1 973	1 759	2 200	1 750	2 629

Source: Joint BIS/OECD database.

To make for this decline, a trend towards more borrowing from official (bilateral and multilateral) sources evolved during the past few years, with borrowing increasing from around US\$ 3.8 billion in 1995 to around US\$ 4.9 billion in 1999 (table 32). Most of the increase, however, is attributed to multilateral loans which increased from around US\$ 1.3 billion in 1995 (34.6 per cent of total official loans) to around US\$ 2.3 billion (46.5 per cent) in 1999.

According to the DRS statistics, the short-term debt of Jordan remained moderate during the past few years. In 1998, the short-term debt amounted to US\$ 594 million or around 4.5 per cent of the combined short-term debt of ESCWA-MDE. Except for Yemen with a short-term debt of around US\$ 213 million at the end of 1998, Jordan's short-term debt was smallest among the short-term debt of other ESCWA-MDE, ranging from US\$ 2 billion for Lebanon to US\$ 4.3 billion for Egypt and to US\$ 6.1 billion for the Syrian Arab Republic.

The difference in estimates is attributed to the exclusion of official bilateral and multilateral loans of non-OECD sources from the CRS statistics. As a result, Jordan's official bilateral loans in 1998 are estimated at around US\$ 2.9 billion in the CRS and at around US\$ 4.4 billion in the DRS. Moreover, loans from multilateral institutions are estimated at around US\$ 1.3 billion in the CRS and at around US\$ 1.7 billion in the DRS. The difference of about US\$ 400 million accounts for concessional loans from Arab sources.

Developed countries and multilateral institutions constitute the main source of Jordan's external borrowing. On the other hand, the share of debt from Arab sources remains modest, at around 13.2 per cent in 1999. Official debt from Arab countries (mainly GCC countries) relative to total debt dropped from 5.7 per cent in 1995 to 4.2 per cent in 1999 while Arab and Islamic multilateral organizations¹⁹ contribution increased from 3.8 per cent in 1995 to 9 per cent in 1999.

¹⁸ Including liabilities to banks due within a year plus non-bank trade credits.

¹⁹ These are mainly Arab Fund for Economic and Social Development, Arab Monetary Fund and Islamic Development Bank.

TABLE 32. COMPOSITION AND DISTRIBUTION OF JORDANIAN DEBT
(Millions of US dollar except where otherwise indicated)

	1995	1996	1997	1998	1999
Bilateral loans					
Arab countries	358	355	353	355	307
Development countries	2 132	2 094	1 942	2 191	2 326
Other countries	37	37	32	32	34
Total official bilateral	2 526	2 485	2 327	2 578	2 667
Multilateral institutions	1 339	1 704	1 815	2 122	2 318
of which Arab and Islamic institutions	241	394	494	576	659
Total official creditors	3 865	4 189	4 142	4 700	4 984
Guaranteed Export credits	1 788	1 867	1 775	1 847	1 811
Foreign banks and companies	190	145	103	70	61
Bonds	200	224	246	273	303
Leasing contract	245	225	182	165	146
Total private creditors	2 423	2 461	2 306	2 356	2 320
Total foreign debt	6 288	6 650	6 449	7 055	7 305
Total debt (in US dollars)					
Memoranda					
(Percentage)					
Official debt/total debt	61.5	63.0	64.2	66.6	68.2
Arab governments	5.7	5.3	5.5	5.0	4.2
Multilateral	21.3	25.6	28.1	30.1	31.7
Arab and Islamic multilateral	3.8	5.9	7.7	8.2	9.0
Private debt/total debt	38.5	37.0	35.8	33.4	31.8
Debt from Arab sources/total debt	9.5	11.3	13.1	13.2	13.2

Source: Central Bank of Jordan, *Monthly Statistical Bulletin*, vol. 37, No. 1, January 2001.

3. Level of reserves and external debt

The ratio of international reserves (excluding gold) to short-term private debt increased significantly from 0.83 in 1990 to 3.3 in 1999 (table 31). This is attributed to a decline in the size of total short-term liabilities to banks (from US\$ 1.0 billion in 1990 to US\$ 0.7 billion in 1998) coupled with a sharp increase in international reserves (from US\$ 0.8 billion in 1990 to US\$ 2.6 billion in 1998).

4. External debt flows

External debt flows, defined as the difference between disbursements and repayments of debt, were not favorable for Jordan during the past decade, as both repayments and disbursements were almost at the same level, with the former amounting to US\$ 4043 million and the latter to US\$ 4014 million (table 33). However, by taking out the debt forgiven (US\$ 530 million in 1992) the balance tilts in favor of positive net flows (disbursements exceeding repayments).

TABLE 33. JORDAN: EXTERNAL DEBT FLOWS
(Millions of US dollar)

Global Finance 2000	1980	1990	1992	1994	1996	1997	1998
I. Repayments							
Long term debt	104	241	376	283	570	481	409
IMF	0	10	10	37	22	22	9
Short term debt	0	0	1 138	84	202	0	149
Total	104	251	1 524	404	794	503	567
II. Disbursements							
Long term debt	369	691	431	213	804	708	448
IMF	0	0	31	94	119	133	32
Short term debt	196	165	0	0	0	145	0
Total	565	856	462	307	923	986	480

TABLE 33 (continued)

Global Finance 2000	1980	1990	1992	1994	1996	1997	1998
III. Net flows on principal							
Long term debt	265	450	55	-70	234	227	39
IMF	0	-10	21	57	97	111	23
Short term debt	196	165	-1 138	-84	-202	145	-149
Total	461	605	-1 062	-97	129	483	-87
IV. Interest payments							
Long term debt	79	307	278	200	379	352	427
IMF	0	9	8	5	12	17	21
Short term debt	28	58	39	40	35	35	34
Total	107	374	325	245	426	404	482
Total debt service							
Long term debt	183	548	654	483	949	833	836
IMF	0	19	18	42	34	39	30
Short term debt	28	58	1 177	124	237	35	183
Total	211	625	1 849	649	1 220	907	1 049
Total net debt service							
Long term debt	186	143	-223	-270	-145	-125	-388
IMF	0	-19	13	52	85	94	2
Short term debt	168	107	-1 177	-124	-237	110	-183
Total	354	231	-1 387	-342	-297	79	-569

Source: World Bank, *Global Development Finance 2000*.

5. Debt restructuring and debt forgiveness and their impact on debt sustainability

The debt restructuring and debt forgiveness that Jordan enjoyed, especially in 1992 and 1993, do not appear to have alleviated substantially the debt burden. Table 34 shows that the total amount of debt forgiveness was around US\$ 946 million during the period 1990 to 1998. This was equivalent of only 14 per cent of Jordan's total long-term debt, a significantly lower rate than that of Egypt (40 per cent) and Yemen (45 per cent).

TABLE 34. JORDAN DEBT RESTRUCTURING
(Millions of US dollar)

	1990	1992	1993	1994	1995	1996	1997	1998	Total
Principal rescheduled (Official)	193	112	88	95	118	105	89	87	887
Principal rescheduled (Private)	157	322	634	122	152	224	87	60	1 758
Total	350	434	722	217	270	329	176	147	2 645
Interest rescheduled (Official)	0	145	249	119	97	60	48	64	782
Interest rescheduled (Private)	0	41	33	67	53	27	23	47	291
Total	-	186	282	186	150	87	71	111	1 073
Debt forgiven	0	0	184	297	323	11	34	-	849
Debt stock reduction	0	530	97	0	0	0	0	0	627
Total	350	1 150	1 285	700	743	427	281	258	5 194
Total amount forgiven or reduced	0	530	281	297	323	11	34	0	946
Total amount rescheduled	350	620	1 004	403	420	416	247	258	2 748
Total change in debt stocks	1 021	(1 733)	(209)	100	406	(42)	102	310	667

Source: World Bank, *Global Development Finance 2000*.

On the other hand, debt rescheduling was substantial, with over US\$ 2.6 billion of principal and US\$ 1.1 billion of interest being rescheduled during the period 1990 to 1998 (table 34). It should be noted, however, that debt rescheduling is only a temporary relief; it does not constitute a remedy to debt sustainability since fundamental gaps in the external accounts have not been cured.

6. Average terms of new commitment

The rescheduling and forgiveness of external debt did not affect substantially the average terms of new commitments. Average interest rate for all creditors fluctuated between 4 per cent and 5.5 per cent during the period 1994 to 1998; average maturity of new commitments did not increase significantly, while average grace period tended to decline. Grants' share of total debt, which reached a peak of 50 per cent in 1992, declined to 32.2 per cent in 1996 before rising again to 40.1 per cent in 1998 (table 35).

TABLE 35. JORDAN EXTERNAL DEBT: AVERAGE TERMS OF NEW COMMITMENTS

	1970	1980	1990	1992	1994	1996	1997	1998
Official creditors								
Interest (per cent)	2.6	7.3	4.0	2.8	4.8	5.1	4.6	4.0
Maturity (years)	31.4	16.0	21.8	22.2	22.2	19.4	20.6	20.4
Grace period (years)	6.4	4.3	7.3	7.0	6.7	5.7	6.4	5.8
Grant element (per cent)	56.7	17.2	43.9	50.0	36.9	32.2	37.0	40.1
Private creditors								
Interest (per cent)	6.2	7.2	8.9	6.9	6.2	0	7.3	0
Maturity (years)	5.5	11.5	7.0	10.3	0	0	5.0	0
Grace period (years)	1.9	2.4	1.0	3.3	0	0	5.0	0
Grant element (per cent)	10.4	12.0	2.8	11.4	0	0	10.2	0
All creditors								
Interest (per cent)	3.7	7.3	4.6	4.1	4.8	5.1	5.5	4.0
Maturity (years)	23.5	15.4	19.9	18.4	22.2	19.4	15.2	20.4
Grace period (years)	5.0	4.0	6.5	5.8	6.7	5.7	6.0	5.8
Grant element (per cent)	42.6	16.5	38.5	37.7	36.9	32.2	27.8	40.1

Source: World Bank, *Global Development Finance 2000*.

C. LEBANON EXTERNAL DEBT

1. Summary of external debt main indicators

Among ESCWA-MDE, Lebanon was for years the only country with almost no external debt. In fact, Lebanon came out of its civil war (1975-1990) with an external debt of only US\$ 350 million. In recent years, however, Lebanon's external debt has increased at high rates, reaching around US\$ 7.7 billion in 1998.

Table 36 reveals a negative trend in Lebanon's main external debt indicators over the period 1990 to 1998. Both the ratios of total external debt-to-GNP and -to-exports increased significantly between 1993 and 1998 from 17.5 and 42.6 per cent respectively to 40.8 and 238 per cent. Moreover, the share of interest payments out of exports more than quadrupled between 1995 and 1998 (2.7 per cent in 1995 to 12.7 per cent in 1998). The ratio of interest payments-to-GDP remained low over the entire period of 1990 to 1998, fluctuating around a low 2 per cent.

The ratio of international reserves-to-total debt stood at a high 137 at the end of 1998 compared to 59 per cent for Egypt, 24 per cent for Yemen and 23 per cent for Jordan. However, this ratio declined substantially since 1993 (436 per cent).

Lebanon's external debt is predominated by borrowing from private sources (around 47 per cent of the total external debt in 1998), representing around 50 per cent of total private debt of ESCWA-MDE. Lebanon's issuance of bonds on international markets for this borrowing, constituted over 90 per cent of all bonds issued by this group of ESCWA countries and 63 per cent of all bonds issued by all ESCWA member countries combined. The shares of concessional loans and multilateral loans in total debt, on the other hand, which did not vary much stood at low 7.7 and 7.1 per cent respectively by the end of 1998.

TABLE 36. LEBANON: MAIN EXTERNAL DEBT INDICATORS, 1990-1998
(percentage, except where otherwise indicated)

	1990	1992	1993	1994	1995	1996	1997	1998
Concessional/EDT	6.2	4.9	7.2	6.3	9.2	10.4	9.3	7.7
EDT/GNP	51.4	31.2	17.5	22.5	25.7	30.1	32.8	40.8
EDT/XGS	58.9	58.1	42.6	60.9	66	84.6	98.7	237.9
INT/GNP	2.1	1.7	1.2	0.9	1	1.7	1.9	2.2
INT/XGS	2.4	3.2	2.9	2.6	2.7	4.9	5.8	12.7
Multilateral/EDT	4.8	2.6	5.9	5.9	6.7	8.2	7.4	7.1
RES/EDT	236.7	253	436	350.2	273.1	233.6	171.9	137
RES/MGS (months)	17.4	12.4	12.7	14.3	12.7	13.8	12	-
Short-term/EDT	79.9	83.4	72.6	63.3	46	41.4	35.7	29.2

Source: World Bank, *Global Development Finance* 2000.

2. Lebanon's external debt according to the Creditor and Debtor Report Systems

(a) Size of the debt

Following a period of rapid debt accumulation during the second half of the 1990s, Lebanon's external debt increased significantly from around US\$ 850 million in 1995 to around US\$ 7.7 billion in 1998 (table 37).^{20,21} Lebanon's debt-to-GNP ratio increased significantly from around 25.7 per cent in 1995 to around 40.8 per cent in 1998. Moreover, the ratio of total debt-to-exports increased from 66 per cent in 1995 to 238 per cent in 1998 (table 36). Interest payments which required only 2.7 per cent of exports in 1995, increased significantly to 12.7 per cent in 1998.

CRS statistics show that Lebanon's external debt constituted around 5.5 per cent of total external debt of ESCWA countries (against 4.4 per cent for Jordan and 1.7 per cent for the Syrian Arab Republic), but around 16 per cent of total external debt of ESCWA-MDE (against 12.8 per cent for Jordan and 5 per cent for the Syrian Arab Republic).

(b) Composition of the debt

The structure of Lebanon's external debt is presented in tables 37 (CRS) and 38 (DRS).

TABLE 37. LEBANON: EXTERNAL DEBT ACCORDING TO THE CREDITOR REPORT SYSTEM, 1990-1999
(Millions of US dollars)

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Bank loans							2 671	2 946	3 478
Debt securities issued abroad						300	837	2 105	3 589
Non-bank trade credits		244	239	218	230	351	373	394	298
Multilateral claims	34	29	23	39	64	113	132	151	199
Official bilateral loans (DAC creditors) ^{a/}	60	65	67	71	86	86	99	92	145
Grand Total	94	338	329	328	380	850	4 112	5 688	7 709

Source: BIS/OECD joint database.

a/ Development Assistant Committee.

Public and publicly guaranteed long-term debt increased around ten times during the period 1990 to 1998, from US\$ 358 million to around US\$ 4 billion. According to DRS statistics, the external debt of

²⁰ DRS statistics estimate the debt at US\$6.7 billion at the end of 1998, a difference of one billion US dollar.

²¹ According to the Central of Lebanon, external debt of Lebanon amounted to around US\$6.3 billion at the end of the third quarter of year 2000, as against 5.6 billion at the end of 1999 and 4.2 billion at the end of 1998, (Central Bank of Lebanon, Quarterly Bulletin, Number 86, Third quarter).

Lebanon increased by more than three times during the period 1994 to 1998. It increased from around US\$ 2.1 billion in 1994 to over US\$ 6.7 billion in 1998, with most of the increase being due to the issuance of bonds in the international markets (from US\$ 400 million in 1994 to US\$ 2.5 billion in 1998), (table 38).

TABLE 38. LEBANON: EXTERNAL DEBT ACCORDING TO THE DEBTOR REPORT SYSTEM, 1970-1998
(Million of US dollars)

	1970	1980	1990	1992	1994	1996	1998
I. Official creditors (US\$ million)							
Multilateral	18	78	85	48	125	326	476
Bilateral	46	68	104	165	170	304	353
Total	64	146	189	213	295	630	829
Multilateral (per cent)	28	53	45	23	42	52	57
Bilateral (per cent)	72	47	55	77	58	48	43
Total	100	100	100	100	100	100	100
II. Private creditors (US\$ million)							
Bonds	0	0	0	0	400	800	2 499
Commercial banks	0	0	0	0	26	482	632
Other private	0	1	169	88	58	22	19
Total	0	1	169	88	484	1 304	3 150
Bonds (per cent)		0	0	0	83	61	79
Commercial banks (per cent)		0	0	0	5	37	20
Other private (per cent)		100	100	100	12	2	1
Total		100	100	100	100	100	100
Total I + II (US\$ million)	64	147	358	301	779	1 934	3 979
Official/private to total (per cent)							
Official to total	100	99	53	71	38	33	21
Private to total	0	1	47	29	62	67	79
Total	100	100	100	100	100	100	100
Long term debt (LDOD) (US\$ million)	64	147	358	301	779	1 934	3 979
Use of IMF Credit (US\$ million)	0	0	0	0	0	0	0
Short term debt (US\$ million)	0	294	1 421	1 505	1 340	1 653	1 961
Private not guaranteed (US\$ million)	0	-	-	-	-	410	785
Total (US\$ million)	64	441	1 779	1 806	2 119	3 997	6 725

Source: The World Bank, *Global Development Finance 2000*.

On the basis of DRS statistics, Lebanon's long-term external debt represented in 1998 only 6.7 per cent of the total long-term external debt of ESCWA-MDE. However, by considering Lebanon's short term debt, the ratio would increase to 8.2 per cent. In comparison, the ratios for Jordan were 12.5 per cent and 11.1 per cent, respectively.

(i) *Predominance of bond issues*

International bond issues constitute the bulk of Lebanon's external debt. In fact, Lebanon has become a regular issuer of international bonds, with most of the bonds being dollar-denominated.²² Bonds issued in international markets increased from US\$ 400 million in 1994 to US\$ 2.5 billion in 1998 (table 38). It is estimated that around 75 per cent of outstanding bonds are in the portfolio of Lebanese banks. The acceptance of Lebanon by the international financial markets as a bond issuer could be attributed to the following reasons:

²² However, Lebanon issued Euro-denominated bonds in 1999 and a dollar-denominated floating rate note in 2000.

- a. Support of Lebanon's banking sector to the bond issues through large subscriptions. This support reflects a rise in the dollar resources of the sector;
- b. Acceptable country risk rating of Lebanon by the international financial community;²³
- c. Small size of Lebanon's external debt and low ratio of the debt to GNP, estimated at around 41 per cent in 1998.

(ii) *Official bilateral and multilateral debt*

In spite of the significant damage caused to Lebanon by its civil war which lasted for around 15 years and the high costs of reconstruction, Lebanon's official debt remains tolerable.

By the end of 1998, bilateral debt stood at around US\$ 145 million according to the CRS and at US\$ 353 million according to the DRS. The difference between the two figures results from the inclusion in the DRS statistics of soft loans granted by the national development finance institutions of a number of GCC countries, particularly The Saudi Development Fund and The Kuwaiti Fund for Arab Economic Development. Moreover, multilateral debt increased from US\$ 132 million in 1996 to US\$ 199 million in 1998 (CRS) and from US\$ 326 million to US\$ 476 million (DRS). Again, the difference amounts to multilateral loans granted by pan-Arab and/or pan-Islamic institutions.

(iii) *Debt to foreign banks and non-bank trade credits*

Debt to foreign banks and non-bank trade credits are estimated differently by the CRS and DRS. According to the CRS statistics, bank loans due within one year stood at US\$ 2.1 billion in 1998 and non-bank trade credits at US\$ 163 million at, (table 39). The total amount of trade credits was put at US\$ 951 million at the end of 1998.

TABLE 39. LEBANON: DEBT TO FOREIGN BANKS AND NON-BANK TRADE CREDITS, 1990-1998
(Millions of US dollars)

Creditor Report System	1990	1991	1992	1993	1994	1995	1996	1997	1998
Liabilities to banks - due within a year	1 413	1 195	1 496	1 074	1 362	1 914	1 674	1 908	2 098
Debt securities issued abroad - due within a year								104	249
Non-bank trade credits - due within a year		26	42	49	96	172	200	234	163
Total	1 413	1 221	1 538	1 123	1 458	2 086	1 874	2 246	2 510
Total liabilities to banks (locational)	2 023	1 615	1 757	1 518	1 762	2 392	2 959	3 253	3 585
Total liabilities to banks (consolidated)	1 687	1 471	1 695	1 530	1 744	2 504	3 273	3 360	3 780
Total trade credits		349	334	304	299	404	521	697	951
Total claims on banks	12 196	11 730	11 405	12 625	13 170	13 911	14 897	16 081	16 361
International reserve assets (excluding gold)	660	1 275	1 496	2 260	3 884	4 533	5 932	5 976	6 556

Source: BIS/OECD joint database.

A large share of bank loans (US\$ 2.1 billion) is of short-term maturity (i.e., due in one year or less). According to the CRS statistics, short-term debt constituted around 33 per cent of total external debt of Lebanon at the end of 1998. Although this was a high ratio by international standards, the Lebanese authorities considered the ratio sustainable, given the high level of international reserves (around US\$ 6.6 billion) and a cushion of around US\$ 16.3 billion of foreign assets of the banking sector (i.e., total claims on banks), the latter compared with liabilities to foreign banks of only around US\$ 3.6 billion on the locational basis and US\$ 3.8 billion on the consolidated basis.²⁴

²³ Lebanon's risk rating has been downgraded recently, making Lebanon's dollar-denominated bonds less attractive to investors.

²⁴ It is to be noted however that the Central Bank of Lebanon includes in its foreign reserves the foreign exchange deposits that local commercial banks are providing to the Central Bank. Deposits with the Central Bank are paid at a premium to the international rate on dollar deposits. Thus the amount of foreign reserves is somehow artificially inflated in the case of Lebanon.

3. Debt flows and average terms of new commitments

Lebanon appears to have enjoyed a reasonably acceptable credit rating by the international debt market during the past few years, since it was able to contract new debt and draw on existing long-term loans.

TABLE 40. LEBANON: NET FLOW ON DEBT AND DEBT-SERVICE PAYMENTS ACCORDING TO THE DEBTOR REPORT SYSTEM STATISTICS
(Millions of US dollars)

	1980	1990	1992	1994	1996	1998
I. Repayments						
Long term debt	7	27	40	96	69	169
IMF	0	0	0	0	0	0
Short term debt	0	0	0	0	0	0
Total	7	27	40	96	69	169
II. Disbursements						
Long term debt	120	12	6	481	830	1656
IMF	0	0	0	0	0	0
Short term debt	124	742	308	370	298	166
Total	244	754	314	851	1 128	1 822
III. Net flows on principal						
Long term debt	113	-15	-34	385	761	1487
IMF	0	0	0	0	0	0
Short term debt	124	742	308	370	298	166
Total	237	727	274	755	1 059	1 653
IV. Interest payments						
Long term debt	6	11	25	26	149	263
IMF	0	0	0	0	0	0
Short term debt	39	61	73	63	83	95
Total	45	72	98	89	232	358
Total debt service						
Long term debt	13	38	65	122	218	432
IMF	0	0	0	0	0	0
Short term debt	39	61	73	63	83	95
Total	52	99	138	185	301	527
Total net debt service						
Long term debt	107	-26	-59	359	612	1 224
IMF	0	0	0	0	0	0
Short term debt	85	681	235	307	215	71
Total	192	655	176	666	827	1 295

Source: World Bank, *Global Development Finance 2000*.

Table 40 shows that net flows on principal (i.e., debt) including short-term debt, increased from US\$ 274 million in 1992 to around US\$ 1.7 billion in 1998. Even by deducting interest payments of around US\$ 358 million, net flows on debt would still remain positive at around US\$ 1.3 billion.

However, due to its heavy recourse to bond issues and to short term debt, Lebanon's average terms of new commitments are considered to have been the least favorable among ESCWA indebted countries during the past few years. In fact, the grant element in Lebanon's external debt remained low at around 14.3 per cent in 1998, (table 41).

TABLE 41. LEBANESE DEBT: AVERAGE TERMS OF NEW COMMITMENTS

	1970	1980	1990	1992	1994	1996	1998
Official creditors							
Interest (per cent)	2.9	2.7	0	3.4	4.9	5.4	6.9
Maturity (years)	20.4	15.1	0	21.3	20.1	18.3	17.1
Grace period (years)	1.4	3.9	0	5.1	5.2	6.3	4.6
Grant element (per cent)	42	42.2	0	43.6	34.6	30.2	18.5
Private creditors							
Interest (per cent)	0	3	0	0	10.1	8.1	6.3
Maturity (years)	0	11.9	0	0	3	9.5	9.8
Grace period (years)	0	2.4	0	0	3	3.2	1.5
Grant element (per cent)	0	32.9	0	0	-0.3	8	14.3
All creditors							
Interest (per cent)	2.9	3	0	3.4	8.4	6.6	6.3
Maturity (years)	20.4	12.4	0	21.3	8.6	14.5	9.9
Grace period (years)	1.4	2.6	0	5.1	3.7	5	1.5
Grant element (per cent)	42	34.3	0	43.6	11.1	20.7	14.3

Source: World Bank, *Global Development Finance 2000*, Washington D.C.

This unfavorable development was reflected in the average maturity on all types of Lebanon's external debt. The maturity dropped from around 14.5 years in 1996 to around 9.9 years in 1998, compared with an average maturity of Egypt's external debt of 27.3 years, Yemen 39.1 years, Jordan 20.4 years.

Moreover, despite the decrease in the interest rate paid by Lebanon on its external debt to all creditors, from 8.4 per cent in 1994 to 6.6 per cent in 1996 and further to 6.3 per cent in 1998, it remained higher than the rates paid by other indebted ESCWA countries. For example, the average interest rate paid by Egypt was 3.4 per cent in 1998, by Jordan 4 per cent and by Yemen 0.5 per cent.

4. Debt sustainability

Among ESCWA-MDE, Lebanon has been the only country that has relied extensively on international capital markets to fund its borrowing needs and, only marginally, on soft loans from OECD countries or Multilateral funding sources. Among the other ESCWA member countries, only Qatar and Oman have relied as heavily as Lebanon on private sources to finance their borrowing needs geared towards the development of their production capacity in the energy sector. The main reimbursement capacity of Lebanon, which does not enjoy the benefits of an energy sector like Qatar and Oman, originates from the flow of remittances of Lebanese expatriates. Also, compared with other indebted ESCWA member countries, the export capacity of Lebanon is considerably low to contribute significantly to a widening of Lebanon's reimbursement capacity.

Lebanon's increasing need for foreign borrowing has been attributed to its need to finance its budget deficits, which have been largely due to the significant domestic debt service payments. Lebanon's debt burden would not have been so heavy, had the debt bonds been issued in Lebanese pound instead of US dollar or other foreign currencies. This is in spite of the fact that the Lebanese pound has full convertibility and is pegged to the dollar since 1993 with a fixed parity.²⁵

However, the interest rate differential between debt service payments for debt bonds denominated in Lebanese pounds with maturities of three months to six years and an average interest rate of 12.77 per cent on the one hand, and debt bonds denominated in United States dollar with maturities of up to ten years and an average interest rate of around 9 per cent during the past few years, has made borrowing in foreign currencies more favorable to contain the burden of debt service payments. This interest rate differential has been a major reason for the Lebanese Parliament to allow the Government to issue bonds denominated in

²⁵ The parity is maintained with an administered yearly increase in the exchange rate of the pound to the US Dollar of three per cent.

foreign currencies on the condition that the proceeds of such bond issues would be used to replace maturities of domestic bonds, denominated in Lebanese pound. This authorization is renewed annually by a special clause in the budget law which specifies the amount of authorized external borrowing through the issuance of bonds (between US\$ 1 and 2 billion). However, there are limits for the substitution of domestic debt by foreign debt as authorized by the Lebanese Parliament. Lebanon's debt indicators, presented in table 36, show some negative trends in this regard.

An additional and large increase in external borrowing could induce a further deterioration of the terms of such borrowing, especially in terms of the interest rate to be paid. Recently, in October 2000, rating agencies have degraded the credit status of Lebanon from BB- to B+, which is a sign of these negative trends. A previous degradation took place in 1997.

D. YEMEN EXTERNAL DEBT

1. *Summary of external debt main indicators*

The impact of the Gulf war of 1990-1991 on Yemen was significant, causing a drop in the remittances of Yemenis expatriates in the GCC countries, on the one hand, and cutting the aid and grants of these countries to Yemen, on the other. These developments created a significant gap in the country's foreign exchange resources. The debt restructuring and forgiveness of 1997, however, along with the rise in the oil prices during the last few years have led to an improvement of the external debt sustainability.

The effect of the restructuring process of Yemen's external debt on the debt indicators was substantial. The ratio of total debt to GNP fell from 137.6 per cent in 1996 to 76.7 per cent in 1997 before increasing to 104.8 per cent in 1998. The rise in 1998 was the result of the decline in GNP caused by lower oil prices, and subsequently, lower oil revenues. Similarly, the ratio of total debt to exports declined from 175.3 per cent to 104 per cent before increasing to 139 per cent. Moreover, the ratios of concessional debt-to-total debt and multilateral debt-to-total debt increased steadily over the past decade reaching 78.7 and 36.8 per cent respectively by the end of 1998.

Debt cancellation and rescheduling led to the reduction of long-term debt by about US\$ 2.5 billion. The impact of debt restructuring on some debt indicators, however, was limited given the fact that Yemen enjoyed, long before the 1997 restructuring, important grant elements and concessional terms on more than 80 per cent of its total external debt. The ratio of interest payments-to-exports and -to-GNP increased from 0.8 and 0.6 per cent respectively in 1996 to 1.7 and 1.3 per cent in 1998.

The decrease in both exports and GNP caused by the fall in oil prices was behind the negative trends in the above-mentioned indicators. The reverse trend in oil prices in the past two years was expected to have improved considerably these ratios.

TABLE 42. YEMEN: DEVELOPMENT OF EXTERNAL DEBT INDICATORS, 1980-1998
(Percentage)

	1980	1990	1992	1993	1994	1995	1996	1997	1998
TDS/XGS	NA	5.6	5.8	5.0	3.5	3.2	2.4	2.6	4.2
Short-term/EDT	10.8	18.8	20.1	9.8	10.9	11.1	9.7	4.9	5.1
RES/MGS(months)	NA	2.0	1.2	0.5	1.2	2.5	3.5	3.9	3.7
RES/EDT	NA	7.0	5.1	2.8	4.5	10.3	16.3	31.6	24.4
Multilateral/EDT	14.9	16.2	16.1	18.7	19.7	20.6	21.3	36.0	36.8
INT/XGS	NA	2.9	2.2	1.7	1.6	1.1	0.8	1.0	1.7
INT/GNP	NA	1.9	1.0	0.9	1.5	1.1	0.6	0.8	1.3
EDT/XGS	NA	209.7	284.1	246.3	200.6	192.2	175.3	104.0	139.0
EDT/GNP	NA	135.4	123.1	132.9	186.0	178.1	137.6	76.7	104.8
Concessional/EDT	72.1	50.7	50.2	57.0	56.7	56.7	55.4	79.5	78.7

Source: World Bank, *Global Development Finance 2000*.

2. Size and composition of the debt

Yemen, a least-developing country, has the lowest external debt value of all ESCWA-MDE countries. Yet, its low GDP per capita of around US\$ 250 in 1998 resulted in a high external debt to GDP ratio (104 per cent) despite major debt rescheduling and forgiveness. The ramifications of the Gulf crisis of 1990-1991 led to the rise of Yemen's external debt to unsustainable levels standing at around 185 per cent in 1994.

According to the Creditor Report System, Yemen's external debt amounted to US\$ 2.1 billion at the end of 1998 (table 43), representing around 4.0 per cent of the total debt of ESCWA-MDE and around 1.3 per cent of total debt of all ESCWA member countries. In contrast to the CRS, the DRS reports a decline in total external debt of 35 per cent between 1996 and 1998, from US\$ 6.1 billion to US\$ 4.1 billion. This was namely due to the debt rescheduling and forgiveness that took place in 1997, reducing debt to private creditors from US\$ 1719 million in 1996 to only US\$ 178 million in 1998. The CRS system, on the other hand, reports a slight change in debt to private creditors (bank loans and non-bank trade credits) from US\$ 204 million in 1996 to US\$ 212 million in 1998. The difference between the CRS and DRS estimates of the debt results from the inclusion in the DRS statistics of loans and credit facilities from Arab and Islamic countries and lending agencies.

Multilateral claims almost doubled between 1993 and 1998, increasing from US\$ 726 million to US\$ 1411 million. Official bilateral loans, on the other hand, fell slightly from US\$ 527 million to US\$ 472 million during the same period (table 43).

Multilateral and bilateral debt constituted around 90 per cent of total external debt of Yemen in 1998. Given the low per capita income of Yemen, the structure of the debt could be considered normal, securing Yemen with the best average debt terms available for any other ESCWA-MDE. Yemen's share of ESCWA-MDE multilateral borrowing is around 18 per cent while its share of ESCWA-MDE total external debt represents only 5.3 per cent.

TABLE 43. YEMEN: EXTERNAL DEBT ACCORDING TO THE CREDITOR REPORT SYSTEM, 1990-1998
(Millions of US dollar)

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Bank loans	NA	NA	NA	NA	NA	NA	110	99	144
Non-bank trade credits	NA	221	NA	91	93	77	94	107	68
Multilateral claims	602	651	NA	726	780	827	1 014	1 184	1 411
Official bilateral loans (DAC creditors)	333	358		527	559	556	486	467	472
Grand Total	935	1 230	NA	1 344	1 432	1 460	1 704	1 857	2 095

Source: BIS/OECD joint database.

The DRS system indicates a reduction in the level of short-term debt from US\$ 619 million in 1996 to US\$ 213 million in 1998 (table 44). During this period, Yemen made significant use of IMF credit, rising from US\$ 121 million in 1996 to US\$ 336 million in 1998.

TABLE 44. YEMENI FOREIGN DEBT ACCORDING TO THE DEBTOR REPORT SYSTEM
(Million of US dollars)

	1970	1980	1990	1992	1994	1996	1998
I. Official creditors							
Multilateral		252	1 025	1 056	1 206	1 358	1 521
Bilateral		986	2 470	2 490	2 534	2 545	1 891
Total		1 238	3 495	3 546	3 740	3 903	3 412
Multilateral (per cent)		20	29	30	32	35	45
Bilateral (per cent)		80	71	70	68	65	55
Total (per cent)		100	100	100	100	100	100

TABLE 44 (continued)

	1970	1980	1990	1992	1994	1996	1998
II. Private creditors							
Bonds		NA	NA	NA	NA	NA	NA
Commercial banks		NA	80	80	80	80	80
Other private		216	1 578	1 628	1 640	1 639	98
Total		216	1 658	1 708	1 720	1 719	178
Bonds (per cent)		0	0	0	0	0	0
Commercial banks (per cent)		0	5	5	5	5	45
Other private (per cent)		100	95	95	95	95	55
Total (per cent)		100	100	100	100	100	100
Total I + II		1 454	5 153	5 254	5 460	5 622	3 590
Official/Private to total I+II							
Official to total (per cent)		85	68	67	68	69	95
Private to total (per cent)		15	32	33	32	31	5
Total (per cent)		100	100	100	100	100	100
Long Term Debt (LDOD)		1 454	5 153	5 254	5 460	5 622	3 590
Use of IMF Credit		48	NA	NA	NA	121	336
Short term debt		183	1 191	1 318	666	619	213
Private not guaranteed		NA	NA	NA	NA	NA	NA
Total		1 685	6 344	6 572	6 126	6 362	4 139

Source: World Bank, *Global Development Finance 2000*.

All in all, Yemen's external debt was reduced from the highly unsustainable level of over US\$ 6 billion during most of the last decade to a more tolerable level of US\$ 4.1 billion in 1998. As a result, Yemen's ratios of debt service payments-to-GNP and -to-exports fell to levels below those achieved by other ESCWA-MDE countries such as Egypt and Lebanon. Moreover, the average terms of external debt for Yemen during the past few years were more favorable in comparison with other ESCWA-MDE countries.

3. Level of reserves and short-term debt

The external position of Yemen remained solid during the past few years, with claims on foreign banks exceeding significantly its liabilities to these banks; and international reserves changing only slightly during the period 1996-1998 (table 45).

The ratio of international reserves (excluding gold) to short-term private debt increased significantly from 1.4 in 1990 to 7.6 in 1998 (tables 45 and 46). This is attributed to a decline in the size of total short-term liabilities to banks (from US\$ 309 million in 1990 to US\$ 131 million in 1998) coupled with a sharp increase in international reserves (from US\$ 422 million in 1990 to US\$ 996 million in 1998).

TABLE 45. YEMENI FOREIGN COMMITMENTS, FOREIGN CLAIMS AND INTERNATIONAL RESERVES, 1990-1998
(Millions of US dollar)

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total liabilities to banks (locational)	513	376		329	292	234	115	99	153
Total liabilities to banks (consolidated)	354	270		255	360	275	136	120	150
Total trade credits		296		132	109	83	97	107	69
Total claims on banks	1 640	2 120		1 478	1 638	1 675	2 073	2 210	2 011
International reserve assets (excluding gold)	422	679		145	255	619	1 017	1 203	996

Source: BIS/OECD joint database.

The evolution of short-term debt shows a similar trend; it increased from US\$ 126 million in 1997 to US\$ 140 million in 1998 (table 46) and to around US\$ 360 million in 1999, indicating an improved credit rating of Yemen by the international financial markets.

TABLE 46. YEMEN: DEVELOPMENT OF SHORT-TERM DEBT ACCORDING TO THE CRS SYSTEM,
1990-1998
(Millions of US dollar)

	1990	1991	1993	1994	1995	1996	1997	1998
Liabilities to banks - due within a year	309	224	196	239	218	125	117	131
Non-bank trade credits - due within a year		71	19	14	10	15	9	9
Total	309	295	215	253	228	140	126	140

Source: BIS/OECD joint database.

4. External debt flows

Yemen's external debt flows were positive during the last two decades, both with respect to the level of "net flows on principal" (repayments less disbursements) and the level of "net debt service" (net debt flows minus interest payments). Since 1980, disbursements on existing or newly contracted debt have been exceeding repayments of principal as well as interest payments (table 47). The level of net transfer remained modest at US\$ 131 million in 1998, US\$ 51 million lower than in 1997 (US\$ 182 million), but significantly lower than in 1990 (US\$ 297 million) or in 1980 (US\$ 509 million).

TABLE 47. YEMEN: OVERALL DEVELOPMENT OF EXTERNAL DEBT, 1980-1998
(Millions of US dollar)

	1980	1990	1992	1994	1996	1997	1998
I. Repayments							
Long term debt	25	80	83	58	58	60	73
IMF	11	1	0	0	0	0	0
Short term debt	0	0	0	0	89	7	0
Total	36	81	83	58	147	67	73
II. Disbursements							
Long term debt	566	305	148	119	164	147	164
IMF	10	0	0	0	122	140	72
Short term debt	6	161	0	38	0	0	20
Total	582	466	148	157	286	287	256
III. Net flows on principal							
Long term debt	541	225	65	61	106	87	91
IMF	-1	-1	0	0	122	140	72
Short term debt	6	161	0	38	-89	-7	20
Total	546	385	65	99	139	220	183
IV. Interest payments							
Long term debt	10	28	21	23	21	26	45
IMF	2	0	0	0	3	7	0
Short term debt	25	60	30	25	5	5	7
Total	37	88	51	48	29	38	52
Total debt service							
Long term debt	35	108	104	81	79	86	118
IMF	13	1	0	0	3	7	0
Short term debt	25	60	30	25	94	12	7
Total	73	169	134	106	176	105	125
Total net debt service							
Long term debt	531	197	44	38	85	61	46
IMF	-3	-1	0	0	119	133	72
Short term debt	-19	101	-30	13	-94	-12	13
Total	509	297	14	51	110	182	131

Source: World Bank, *Global Development Finance 2000*.

5. Debt restructuring and debt forgiveness and their impact on debt sustainability

The rescheduling and forgiveness of part of Yemen's external debt in 1997 has significantly contributed to the improvement of the debt profile and sustainability as well as the average term of new commitments. This development resulted in a drop in Yemen's external debt by around 39 per cent, from US\$ 6.4 billion in 1996 to around US\$ 3.9 billion in 1997. Yemen's external debt increased, however, to around US\$ 4.1 billion in 1998 mainly as a result of the increase in its long-term debt from US\$ 3.4 billion to US\$ 3.6 billion (table 44). The restructuring process of Yemen's external debt included (1) the rescheduling of principal, amounting to US\$ 559 million (of which US\$ 268 million of official debt and US\$ 292 million of private debt); (2) the rescheduling of US\$ 95 million of interest payments; and debt forgiveness of US\$ 2.2 billion of which US\$ 338 million on interest arrears.

6. Average terms of new commitment

Table 48 reveals important changes in average terms and conditions of new commitments after 1996. For all creditors, the average rate of interest declined from 1.2 per cent in 1996 to 0.5 per cent in 1998 while the average maturity of loans increased from 34.2 years to 39.1 years and the average grace period increased from 8.8 years to 9.6 years. Moreover, the average grant element increased from 72.3 per cent to 81.7 per cent.

TABLE 48. YEMEN: AVERAGE TERMS OF NEW COMMITMENTS OF THE EXTERNAL DEBT, 1980-1998

	1980	1990	1992	1994	1996	1997	1998
Official creditors							
Interest	2.4	1.8	1.2	1.9	1.2	0.5	0.5
Maturity (years)	26.9	28.6	30.1	27.6	34.2	39.7	39.1
Grace period (years)	5.8	7.2	8.4	7.3	8.8	10.2	9.6
Grant element	51.8	61.3	63.3	57.6	72.3	82.7	81.7
Private creditors							
Interest	4.4	0	6.0	0	0	0	0
Maturity (years)	18.9	0	11.5	0	0	0	0
Grace period (years)	4.9	0	3.0	0	0	0	0
Grant element	37.6	0	18.6	0	0	0	0
All creditors							
Interest	2.7	1.8	2.1	1.9	1.2	0.5	0.5
Maturity (years)	26.9	28.6	30.1	27.6	34.2	39.7	39.1
Grace period (years)	5.8	7.2	8.4	7.3	8.8	10.2	9.6
Grant element	51.8	61.3	63.3	57.6	72.3	82.7	81.7

Source: World Bank, *Global Development Finance 2000*.

7. External Debt Sustainability compared to that of Middle East and North Africa (MENA) countries and other least developing countries²⁶

(a) Ratio of debt stocks to GNP and to export of goods and services

Yemen's ratio of debt-to-GNP, standing at 104.8 per cent in 1998, was significantly higher than the average ratio of other least-developing countries (37.3 per cent) and the average ratio of Sub-Saharan countries (75.8 per cent). On the other hand, the ratio of total debt-to-exports (139 per cent in 1998) was lower than the average ratio of other least developing countries (152 per cent) and the average ratio of Sub-Saharan countries (225.1 per cent) but higher than the average ratio of the countries of the MENA region (129.1 per cent).

²⁶ Statistics in this sections are based entirely on: World Bank, *Global Development Finance*, 2000.

(b) *Ratio of debt service payments to GNP and export of goods and services*

The ratio of debt service payments to GNP in 1998 (1.3 per cent) was close to the average ratio of other-least developing countries (1.4 per cent) and slightly lower, i.e., better, than the average ratio of Sub-Saharan countries (1.7 per cent) and the average ratio of the countries of the MENA region (1.6 per cent).

The ratio of total debt service payments to export of goods and services which amounted to 4.2 per cent in 1998 was significantly lower than the average ratios of other least developing countries (14.7 per cent), sub-Saharan countries (14.8 per cent) and the countries of the MENA region (14 per cent).

(c) *Concessional element in the external debt*

The ratio of concessional debt to total debt, amounting to around 78.7 per cent in 1998, was by far more favorable than the average ratio of other least-developing countries (38.2 per cent) and that of Sub-Saharan countries (39.1 per cent).

The same favorable development applies to the average maturity of new commitments. This average reached around 39 years for Yemen, compared with 36.5 for other least-developing countries, 30.8 years for Sub-Saharan countries and 12 years for the countries of the MENA Region.

V. CONCLUSIONS AND POLICY RECOMMENDATIONS

1. The external debt sustainability achieved by a number of ESCWA member countries with more diversified economies during the past decade was the result of debt rescheduling for some or debt forgiveness of part of the debt for others. Prior to this development, all of these countries were having difficulties in meeting their debt service payment obligations. The growth of export earnings and government budget revenues were not sufficient to meet these obligations, resulting in debt arrears for some and compromising economic growth for others.
2. The debt stock of ESCWA-MDE and the related debt service payment obligations are expected to determine the future debt sustainability of these countries. Depending on the average terms of their debt commitments which improved significantly for most of the countries during the past decade, the debt stock and consequently the debt service payment obligations would decide on the extent to which the governments of these countries would be capable to sustain their debt, i.e., to mobilize the needed financial resources to service the debt.
3. With the improved average terms of debt commitments for most of the countries in the wake of their economic reform programmes and the process of debt rescheduling and forgiveness agreed upon with both the Paris Club and the London Club, it is expected that the debt service burden of indebted ESCWA-MDE would be lower than it used to be at the beginning of the past decade. However, much would still depend on the growth in export earnings, the net flow of financial resources, particularly in the form of aid and grants, and the average terms under which new commitments are made. A growth in export earnings would lead to a growth in GDP and consequently to a bigger and wider base of government budget revenues, provided that proper ways and means of collecting the revenues are established.
4. As concerns the net flows of financial resources, which remained almost unchanged at around US\$ 2.2 billion annually during the past decade, the expectations are that they would increase in as much as ESCWA-MDE succeed in their economic reform programmes.
5. The noted improvement in most of the external debt indicators for most of ESCWA-MDE shows an improvement in the potential debt repayment capacity, i.e., in the ability of the governments of these countries to generate income and foreign exchange to service the debt.
6. The relatively high economic growth rates of ESCWA-MDE during the 1970s and early 1980s, i.e., prior to the eruption of the World Debt Crisis were fostered by unprecedented inflow of financial resources in the form of aid, grants and worker remittances, mainly from the GCC countries. The inflow of financial resources allowed investment in these countries to attain levels that would not have been possible from domestic financial resources alone. The eruption of the World Debt Crisis reversed this situation, in that a net transfer of resources, particularly to service the debt repayments had to be financed from domestic savings, leading to a lower rate of capital formation and economic growth.
7. With most of the external debt of ESCWA-MDEs being bilateral, the external debt problems of these countries have, in the first place, been problems of accumulation of debt service payments obligations to levels that have become incompatible with developments in foreign exchange earnings, including export earnings rather than problems of liquidity or loss of confidence of the official creditors. These problems have been reduced during the past few years. This happened in connection with the economic reform programmes undertaken by these countries. Through these programmes, a number of these countries, particularly Egypt and Jordan, have been enabled to re-enter the international financial markets. This development, however, does not mean that the economic development of these countries has recovered to acceptable levels of that their debt service payments obligations no longer reflect a financial burden. It rather means that the external debt problems of these countries could be considered issues that are no longer pressing as much as before, economically as well as politically.

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