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External debt sustainability and development

Note by the Secretary-General

The Secretary-General has the honour to transmit to the General Assembly the report prepared by the secretariat of the United Nations Conference on Trade and Development.

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Report prepared by the secretariat of the United Nations Conference on Trade and Development on external debt sustainability and development

Summary

The present report, prepared by the secretariat of the United Nations Conference on Trade and Development pursuant to General Assembly resolution 74/203, provides an analysis of the recent evolution of core indicators of external debt sustainability in developing countries. These have been overshadowed by the onset of the coronavirus disease (COVID-19) crisis in early 2020. The report provides an assessment of the external indebtedness of developing countries as it stood prior to the COVID-19 pandemic and of the impact the pandemic is having on their vulnerability to external debt. In view of the substantive impact of this crisis, the report highlights core policy measures to be considered by the international community.

I. Introduction

1. Since the latest report of the Secretary-General on external debt sustainability and development (A/74/234) was published, the coronavirus disease (COVID-19) pandemic has dominated the prospects of the global economy and therefore also of the external debt sustainability of developing countries. The International Monetary Fund (IMF) is predicting that the global economy will contract by around 5 per cent in 2020, far more than after the global financial crisis.[1] In that light, simultaneous pressures on already tight balance-of-payment constraints in most developing countries are set to heavily undermine external debt sustainability across the developing world.

2. This is all the more so since the triple shock of the health, economic and financial effects, is hitting developing countries as their external debt sustainability has been deteriorating for some time. Current projections of global economic contraction are resting on the assumption that the recovery will be slower than previously expected. In that light, there is a distinct possibility that many developing countries will see their sovereign liquidity crises turn into insolvency crises.

3. To prevent such an outcome, decisive action will be required of the international community. Developed countries face profound challenges in negotiating the trade-off between health risks and economic costs arising from the wholesale lockdown of economic activity. Developing countries, on the other hand, lack comparable domestic policy space to respond to the COVID-19 crisis on the scale that is required. Many require relatively higher health and social protection expenditures, given their weaker initial infrastructures in these areas. At the same time, they are heavily reliant on external liquidity support in hard currency to continue to pay for vital imports and service outstanding debt. In the absence of external support, developing countries are in danger of getting caught a vicious cycle of re-opening their economies prematurely to avoid many of their citizens dying from starvation rather than illness, seeing the pandemic continue its spread and facing ever more severe pressures on their policy space to respond and recover on their own.

II. The build-up of financial vulnerabilities before the pandemic: main external debt trends in developing countries in the period 2009–2019

A. General trends and common drivers of rising financial vulnerabilities

4. On the eve of the pandemic, the total external debt stocks of developing countries and economies in transition (referred to as developing countries in the present report) reached $10 trillion (see figure I). At more than double the $4.5 trillion of 2009, this was a new record. That rise in external indebtedness was not compensated for by sufficiently strong growth in gross domestic product (GDP) in the developing world, given that the global economic environment continued to be dominated by short-term policy-induced boosts to the expectations of speculative investors and growing income inequalities rather than a sustained and inclusive recovery of aggregate demand. Consequently, the average ratio of total external debt to GDP for all developing countries rose from 25.2 per cent in 2009 to 29 per cent in 2019. If the very large developing economy of China is excluded from that calculation, the average ratio of total external debt to GDP in 2019 rises to 38.3 per cent because in 2019, the ratio for China stood at a modest 14.8 per cent.

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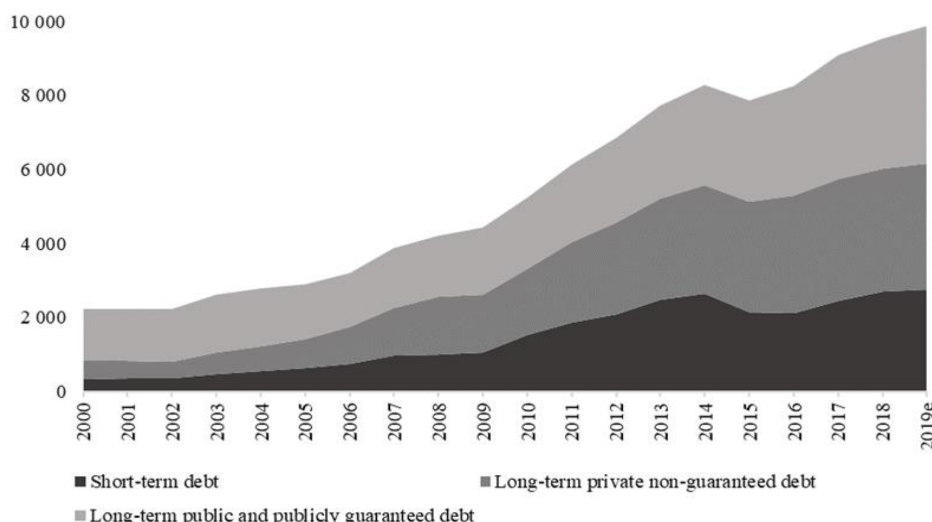
[1] See International Monetary Fund (IMF), *World Economic Outlook Update*, June 2020.

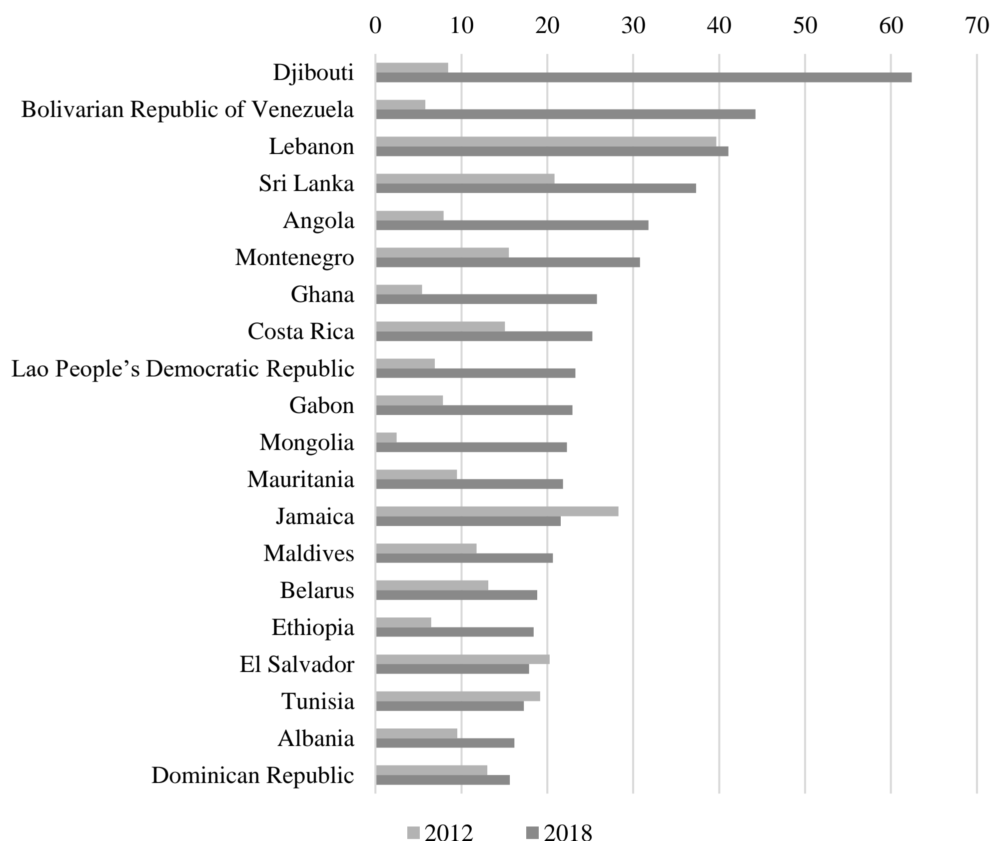
Figure I
External debt stocks, all developing countries, 2000–2019
(Billions of current United States dollars)



Source: Calculations of the United Nations Conference on Trade and Development secretariat based on data from the World Bank, the International Monetary Fund and national sources.
Abbreviation: e = estimate.

5. Rising external debt burdens continued to absorb a growing share of developing countries' resources. Thus, the ratio of total external debt to exports rose to 111 per cent for all developing countries, up from 105 per cent in 2018 and back to levels last experienced in 2003. Similarly, debt service burdens continued their upward trend: in 2019, developing countries spent 14.6 per cent of their export revenues to meet external debt obligations, up from 7.8 per cent in 2011, the lowest point in the period of observation. As to government revenues, the average trend has been more modest but persistently upward, rising from its lowest point of 2.7 per cent of government revenues spent on the costs of servicing long-term public and publicly guaranteed external debt in 2012 to 4.7 per cent in 2019. However, the situation is much more severe in many developing countries where more than a quarter of government revenues are absorbed by the service of public and publicly guaranteed debt including oil-exporting-countries hit by the recent collapse in oil prices, and middle-income developing countries with high debt burdens.

Figure II
Ratio of debt service on long-term public and publicly guaranteed external debt to government revenues, top 20 developing economies, in 2012 and 2018
(Per cent)



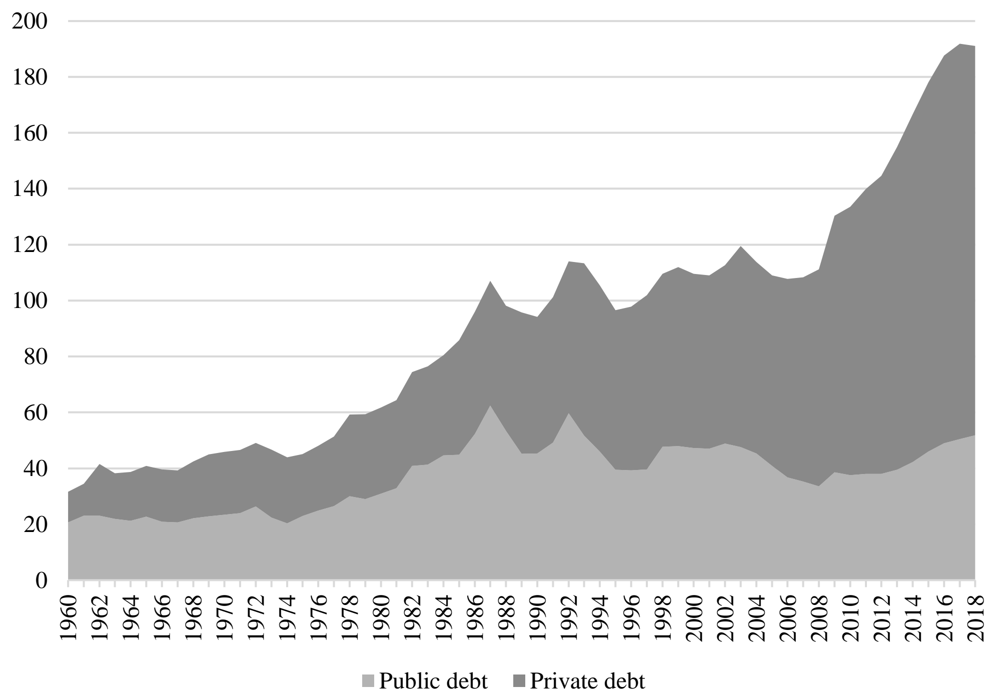
Source: Calculations of the United Nations Conference on Trade and Development secretariat based on the World Development Indicators and International Monetary Fund, World Economic Outlook database.

6. The external debt positions of developing countries also became more exposed to shorter maturities and greater roll-over risks. The share of short-term debt in total external debt rose to 29 per cent in 2019, up from well below 20 per cent in the early 2000s and 26 per cent in 2009. Simultaneously, the ability of developing countries to self-insure against exogenous shocks and increased market risk through international reserve cushions continued to weaken, with the ratio of reserves to short term external debt almost halving from its peak in 2009 at 543.9 per cent to 278.8 per cent in 2019. This is of concern in the context of the COVID-19 crisis, since it signals strong limitations on the ability of developing countries to bridge liquidity crises arising from this shock.

7. Moreover, effective responses to the COVID-19 shock need to take on board that rising fragilities in the external debt positions of developing countries must be seen in the wider context of deteriorating trends in their total (external and domestic, private and public) indebtedness and therefore growing financial vulnerabilities overall. Conventional distinctions between external and domestic debt are increasingly blurred in a context of rapid financial integration and open capital accounts, in which domestic debt can be held by foreign investors, both domestic and external debt can be denominated in either local or foreign currency, and sovereign as well as corporate bond debt traded in secondary and tertiary markets frequently changes hands.

8. As shown in figure III, the single most prominent feature of the recent evolution of overall debt accumulation in developing countries has been an extraordinary increase in private indebtedness, in particular since the onset of the global financial crisis. At the end of 2018, the total debt stock of developing countries reached 191 per cent of their combined GDP, the highest level on record. While the share of public debt in GDP clearly rose from 33.5 per cent in 2008 to 51.8 per cent in 2018, this pales in comparison to the rise in the share of private sector debt in GDP for all developing countries, which near doubled from 77.6 per cent in 2008 to 139.1 per cent in 2018.[2]

Figure III
Total debt, developing countries, 1960¬2018
(Per cent of gross domestic product)



Source: Calculations of the United Nations Conference on Trade and Development secretariat based on data from the International Monetary Fund, Global Debt Database.

9. From the point of view of external debt vulnerabilities, this upsurge in private sector indebtedness carries three main risks. First, private debt contracted in foreign currency ultimately represents a claim on a country's international reserves, especially where private entities could not hedge their foreign-currency liabilities against foreign-currency assets. Second, even where private debt is denominated in local currency but held by external creditors, sudden reversals in external credit flows have the potential to undermine debt sustainability. Third, high domestic private debt (issued in domestic currency and held by residents) represents a contingent liability on public sector finances if exogenous shocks lead to widespread bankruptcies or the creditworthiness of borrowers deteriorates systematically.

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[2] See *Trade and Development Report 2019: Financing a Global Green New Deal* (United Nations publication, Sales No. E.19.II.D.15), chap. IV, and *Financing for Sustainable Development Report 2020* (United Nations publication, Sales No.E.20.I.4), chap III.E.

10. These risks are only partially captured by the share of private non-guaranteed external debt in developing countries (see figure I), which includes only long-term private debt held by external creditors. That share rose from 26 per cent in 2000 to 47 per cent in 2009, indicating that much of the shift from public and publicly guaranteed debt to private non-guaranteed external debt took place prior to the global financial crisis. In the years since, the share of private non-guaranteed external debt in overall long-term external debt reached up to 52 per cent during the emerging market boom episodes between 2011 and 2016, but eventually fell back to 48 per cent in 2019. By some estimates, external creditors hold around one third of non-financial sector corporate debt, amounting to $1.8 trillion, in 26 emerging market economies not including China, primarily in foreign currency.[3] A matter of concern is that the proliferation of corporate indebtedness does not appear to have boosted productive investment.[4]

11. According to previous reports,[5] a common driving force behind rising financial vulnerabilities has been the global "push factor" of the search by global financial investors for high short-term returns in the context of widespread capital account liberalization in developing economies and the deregulation of international financial markets. That situation intensified in an environment marked by extensive monetary accommodation and near-zero interest rates in advanced economies, following the global financial crisis. In addition to targeting emerging market foreign currency-denominated securities in high- and middle-income developing countries, issued primarily by corporations based in those countries, international financial investors increased their participation in expanding local currency-denominated sovereign bond markets, with foreign holdings reaching up to one third of domestic debt in some cases.[6]

12. At the same time, many frontier economies[7] increasingly relied on the issuance of foreign currency-denominated bonds in international financial markets. In sub-Saharan Africa alone, 21 countries had outstanding obligations on sovereign Eurobonds for the equivalent of $115 billion at the beginning of 2020, following a steep increase in their issuance since 2017.[8] Overall, the ownership composition of public and publicly guaranteed debt in developing countries, and therefore also its risk profile, has changed substantially since the global financial crisis, with the share of this debt held by private rather than official creditors rising to 62.4 per cent of the total at the end of 2018, compared with 46.3 per cent at the end of 2009, and the share of this debt owed to bondholders rather than commercial banks rising from 60.2 to 76.1 per cent in the same period.[9]

13. This trend towards heightened financial vulnerabilities has been reinforced by the growth of passively managed, benchmark-driven financial investment strategies since the global financial crisis.[10] These strategies are based on tracking flagship benchmark indices such as the J.P. Morgan emerging markets bond indices for

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[3] Institute of International Finance. Global Debt Monitor Database, April 2020.

[4] *Trade and Development Report 2019*, p. 82.

[5] See, for example, A/73/180 and 74/234.

[6] *Financing for Sustainable Development Report 2020*, chapter III.E, p. 150.

[7] IMF defines frontier economies as economies that resemble emerging markets with regard to international market access. See IMF, "The evolution of public debt vulnerabilities in lower-income economies", Policy Paper, No. 20/003 (Washington, D.C., 10 February 2020), p. 46.

[8] Gregory Smith, "Can Africa's wall of Eurobond repayments be dismantled?", M&G Investments, 29 January 2020.

[9] Calculations by the United Nations Conference on Trade and Development (UNCTAD) secretariat based on data from the World Bank International Debt Statistics database. The latest data available pertain to 2018.

[10] See, for example, Ken Miyajima and Ilhyock Shim, "Asset managers in emerging market economies", *BIS Quarterly Review* (September 2014).

sovereign bonds, the Morgan Stanley capital international indices for equities and the J.P. Morgan next-generation markets index, which are meant to inform financial investment decisions. Many frontier economies have been included in these indices, which has increasingly dominated the access of those economies to international financial markets.[11]

14. Benchmark-driven financial investment strategies are prone to promoting herd behaviour. The bulk of the financial wealth of global investors is managed by a small number of asset funds that focus on developments affecting emerging and frontier economies as a group rather than on country-specific features. They also rely on highly correlated benchmark indices based on similar methodologies. Consequently, benchmark-driven investment strategies are highly sensitive to shifts in global financial conditions and tend to amplify those by triggering synchronized movements of portfolio flows across developing countries. Their influence is not limited to passive fund management, since "active" funds are aimed at outperforming passive investment strategies. By some estimates, as much as 70 per cent of country allocations of investment funds are influenced by benchmark indices.[12]

15. As regards "pull factors", the growing reliance of developing countries on commercial finance despite generally higher risk profiles reflects their dwindling access to more developmental sources of external financing. This applies in particular to low- and middle-income countries. In the case of middle-income countries, the so-called "missing middle-of-development finance" – the loss of access to concessional external financing based on per capita income thresholds, coupled with continued needs for long-term external developmental finance – is well known and has been highlighted in previous reports.[13] For low-income countries, recent declines in total net official development assistance on a cash basis have been a contributing factor. Following a shift from a cash-flow to a grant-equivalent measurement methodology, official development assistance rose by 1.4 per cent in 2019 compared with 2018. At the same time, that assistance fell from 0.31 per cent of the gross national income of Development Assistance Committee members in 2018 to 0.30 per cent in 2019.[14] In addition, the growing dissipation of official development assistance away from central budget support towards in-donor costs and wider multilateral priorities such as climate finance over recent years have further increased the reliance of low-income countries on commercial development finance.[15]

16. These problematics are reflected in the composition of the share of public and publicly guaranteed debt held by official creditors. While the share in this debt held by official creditors fell from 53.7 per cent in 2009 to 37.6 per cent in 2019, the

[11] The main benchmark index that tracks United States dollar-denominated government bonds issued by frontier economies, the J.P. Morgan next-generation markets index, was launched in 2011 for only 17 countries. By April 2020, that number had increased to 36 countries (3 high-income developing countries, 25 middle-income developing countries, 2 low-income developing countries, 6 economies in transition, 4 least developed countries and 2 small island developing States).

[12] Tomas Williams, Claudio Raddatz and Sergio L. Schmukler, "International asset allocations and capital flows: the benchmark effect", *Journal of International Economics*, vol. 108, issue C, pp. 413–430.

[13] See, for example, A/74/234.

[14] For details, see *Financing for Sustainable Development Report 2020*, chap. III.C, pp. 82–84, and United Nations, Inter-Agency Task Force on Financing for Development, "Official development assistance". Available at https://developmentfinance.un.org/official-development-assistance. Under the cash flow methodology, the full face value of a loan is counted as official development assistance and repayments are subtracted when they are made. Under the new grant-equivalent methodology, the grant portion of a loan is calculated using the amount of concessional lending rather than including the full face value. Future repayments are not subtracted from the official development assistance total.

[15] See, for example, TD/B/EFD/3/2.

contributions made to this falling overall share by multilateral and bilateral official creditors of 60 per cent and 40 per cent, respectively, remained relatively stable. However, the composition of bilateral creditors saw a shift away from Paris Club creditors towards bilateral lending by China,[16] signalling growing reliance on South-South financial cooperation in addition to commercial financing. That carries its own risks, in particular in the form of a rising use of collateral debt, including commodity-linked loans. At the same time, and as recent research highlights, developing countries may have found it easier in the past to restructure such debt.[17]

17. Finally, these financial vulnerabilities may be reinforced by the extended use of blended financing. While blended financing, broadly defined as the use of public international finance to leverage private finance for developmental projects, has so far remained below expectations in terms of its role in closing the Sustainable Development Goals financing gap,[18] it has grown steadily since 2009, with concessional debt or equity being the most commonly deployed financial instrument in blended financing structures.[19] These instruments harbour many of the risks associated with "financial engineering" before and after the global financial crisis, potentially creating, in particular, large contingent liabilities for public sector balance sheets in developing countries.

B. Main external debt trends by country groups

18. While what is known as the fourth wave of debt since the global financial crisis has been broader-based than previous episodes of developing country debt crises,[20] differences in external debt compositions and trends between country groups remain.

19. The total external debt stocks of low-income developing countries (not including small island developing States) reached $163 billion in 2019, almost double the figure for 2009. The average ratio of external debt to GDP in low-income developing countries reached 33.1 per cent in 2019, up from 25.1 per cent in 2012, the lowest point in the period of observation. The external debt stocks of those countries amounted to almost twice their export earnings in 2019 (173.5 per cent), compared with 99.6 per cent in 2011. As regards the ownership composition of their external debt, a key feature has been the high annual growth rate of private non-guaranteed external debt of nearly 20 per cent over the past decade. While the share of private non-guaranteed external debt in overall long-term external debt is still low compared with middle-income developing countries and high-income developing countries, reaching 13 per cent in 2019, up from 4 per cent in 2009, the upward trend is clear. On the positive side, the total external debt of low-income developing countries has seen a shift from short-term to long-term debt, with the share of short-term debt in total external debt falling from 11 per cent in 2009 to 6 per cent in 2019. That is largely accounted for by a higher share of long-term private non-guaranteed external debt. In regard to public and publicly guaranteed debt and, as has been mentioned earlier, for some low-income countries in sub-Saharan Africa

[16] Sebastian Horn, Carmen Reinhart and Christoph Trebesch, *China's Overseas Lending*, NBER Working Paper No. 26050 (Cambridge, Massachusetts, National Bureau of Economic Research, July 2019).

[17] Kevin Acker, Deborah Brautigan and Yufan Huang, "Debt relief with Chinese characteristics", China Africa Research Initiative Working Paper, No. 39 (Washington, D.C., John Hopkins School of Advanced International Studies, June 2020).

[18] See TD/B/EFD/3/2.

[19] Convergence, *The State of Blended Finance 2019* (Toronto, Canada, September 2019).

[20] M. Ayhan Kose and others, *Global Waves of Debt – Causes and Consequences* (Washington, D.C., World Bank Group, 2020).

in particular, public and publicly guaranteed debt was also characterized by a higher risk profile.

20. At the onset of the pandemic, the overall vulnerability of low-income developing countries with regard to their external debt sustainability was reflected in rising debt servicing costs prior to the COVID-19 crisis. The costs of servicing their external debt, as a share of their export revenues, reached 10.1 per cent in 2019, a level only marginally surpassed at the height of the debt crises of the 1990s and early 2000s and almost triple that of the 3.4 per cent recorded in 2012. The share of government revenues dedicated to servicing public and publicly guaranteed debt reached 7.9 per cent in 2019, slightly down from 2018 (8.1 per cent), but overall also on a clearly upward trend, since much lower levels achieved in the early 2010s (3.3 per cent in 2012).

21. Middle-income developing countries (not including small island developing States) also found themselves in a vulnerable position just prior to the onset of the pandemic. On the one hand, their external debt stocks grew at a faster annual rate than those for low-income developing countries in the period 2009–2019 (7.8 per cent, compared with 6.6 per cent for low-income developing countries), reaching $2.2 trillion in 2019. On the other hand, the composition of that external debt has, for some time now, been tilted more pronouncedly towards higher-risk profiles. The share of private non-guaranteed external debt in total long-term external debt grew from 14 per cent in 2000 to 30 per cent by 2009 and 34 per cent in 2019. At the same time, the share of public and publicly guaranteed debt held by private rather than official creditors reached 43 per cent by 2019, with 34 per cent held by bondholders rather than commercial banks. Much of this rising private and sovereign bond debt was held in foreign currency, in particular in those frontier middle-income developing countries recently included in the J.P. Morgan next-generation markets index. Strong demand for frontier market bonds (which usually have longer maturities than short-term debt) meant that the share of short-term debt in total external debt experienced only a slight increase to 17 per cent in 2019, up from 15 per cent in 2009.

22. At the same time, the ability of middle-income developing countries to self-insure against exogenous shocks through international reserves buffers suffered further setbacks, with the ratio of reserves to short-term external debt falling from 677 per cent in 2009 to around 400 per cent in 2019. The ability within this group of countries to generate foreign exchange earnings to meet its rising external debt obligations also continued to deteriorate, with the ratio of external debt to exports rising to 117.6 per cent in 2019 from 79.5 per cent in 2011.

23. This overall picture translated into rising costs of servicing external debt burdens, climbing from 8.3 per cent of export revenues in 2009 to 15.6 per cent in 2019. While 4.4. per cent of government revenues went to servicing public and publicly guaranteed debt in 2012, that figure doubled to 8.9 per cent by 2019. Rising debt servicing costs stand out even more starkly when considering the group of the least developed countries, which comprises low-income and the most vulnerable middle-income developing countries, since the group definition is based not only on income per capita criteria, but on wider structural indicators of development as well. For this group, while debt servicing costs – in terms of both export and government revenues – were not substantially different from those reported for low-income developing countries and all middle-income developing countries separately at the start of the period under observation, they rose dramatically thereafter. In the case of debt service costs as a share of export revenues, they almost tripled from 5 per cent in 2010 to 14.4 per cent in 2019. For the share of government revenues dedicated to debt service on public and publicly guaranteed debt, the number increased from 4.9 per cent in 2010 to no less than 17.2 per cent in 2019.

24. High-income developing countries (not including small island developing States). Many of the trends towards increased reliance on commercial external financing discussed for developing countries as a whole were particularly pronounced in high-income developing countries. That is partially warranted by these countries' deeper domestic financial and banking systems, but nevertheless signals potential vulnerabilities in the context of a large global shock, such as the pandemic. The total external debt stocks of high-income developing countries continued to rise in 2019 to $6.8 trillion, up from $5.9 trillion in 2018 and more than double their amount in 2009. This meant an increase in the external debt of high-income developing countries as a share of their combined GDP from 22.3 per cent in 2009 to 28 per cent since 2019. However, in a highly uncertain external economic environment, shares of private non-guaranteed external debt in total long-term external debt that are considerably higher than in low-income or middle-income developing countries (amounting to 53 per cent in 2019) alongside higher shares of short-term debt relative to long-term external debt (34 per cent of total external debt in 2019) have the potential, in combination, to undermine the external debt sustainability of high-income developing countries.

25. Thus, the export earnings of high-income developing countries have been growing at a lower rate than their external debt stocks for some time, resulting in a rise of the ratio of external debt to exports from 75 per cent in 2009 to 106 per cent in 2019. Debt servicing costs rose from 1.9 per cent in 2014 (the lowest level in the period of observation) to 3.3. per cent in 2019, in terms government revenues dedicated to servicing public external debt. While on an upward trend, these figures reflect the higher export dynamism of this group of countries, which is largely due to the performance of some high-income developing countries in East Asia and the higher number of borrowers with investment-grade status in the international financial markets. Even so, the ability of high-income developing countries to withstand sudden contractions in international liquidity deteriorated, with the ratio of international reserves to short-term debt falling markedly from 520 per cent in 2009 to 246 per cent in 2019.

26. The deteriorating external debt sustainability of small island developing States has been of concern for many years, given their frequent exposure to natural disasters. Since the publication of previous reports in this regard,[21] there has been little fundamental change. The external debt stocks of small island developing States reached $50.4 billion in 2019, an increase of around 70 percentage points since 2009. As a result, the average rate of external debt to GDP in those States rose from 50.7 per cent in 2009 and 60.5 per cent in 2018 to 61.7 per cent in 2019. External debt stocks also continued to grow faster than export revenues, leading to an increase of the ratio of external debt to exports to 172.4 per cent in 2019 (from 99.6 per cent in 2011 and 158.8 per cent in 2018). While other indicators have remained relatively stable since peak levels of indebtedness were reached around 2015, small island developing States saw their ability to self-insure against exogenous shocks deteriorate further, with the ratio of international reserves to short-term debt falling from an already low 307 per cent in 2009 to 209 per cent in 2019. This group of countries is bound to be particularly badly affected by the collapse in international tourism in the wake of the COVID-19 crisis.

27. Transition economies continued on a path to improved external debt sustainability overall. Although the ratio of external debt to GDP for these economies remained above those for other regions, at 39.4 per cent 2019, they have been on a downward trajectory since 2015. At the same time, the share of long-term debt in total external debt increased, that of private non-guaranteed external debt fell and the ratio

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[21] See A/73/180 and A/74/234.

of reserves to short-term external debt has remained high, at well over 500 per cent since 2015. With a ratio of debt service to export revenues of 20.3 per cent in 2019, and of debt service on public and publicly guaranteed debt to government revenue of around 10 per cent since 2018, debt servicing costs are, however, rising in this group of countries, too. This, as well as the more volatile performance of core group indicators since 2009 (contrary to continuously deteriorating trends in other country groups), reflects the heterogenous composition of the group, whose members range from low-income to upper-middle-income economies with often very different structural features.

III. The COVID-19 shock: implications for the external debt sustainability of developing countries

28. It is against this backdrop of high and rising debt vulnerabilities across the developing world that the COVID-19 shock is unfolding. At least in recent memory, the COVID-19 crisis is unique in scale and nature. It differs from previous financial crises that triggered aggregate demand contractions caused by the widespread adoption of austerity policies in response to these crises. While it is, first and foremost, a global health crisis, the COVID-19 shock it is also causing a deep supply shock arising from the prolonged shutdown of large swaths of economic activity around the globe, combined with potentially drastic reductions in global aggregate demand owing to reduced investment and household expenditures, alongside profound uncertainty and volatility in international financial markets. To the extent that expansionary fiscal policies are insufficient to avoid serial firm bankruptcies and job losses, there are likely to be permanent rather than temporary losses from this combined health, economic and financial crisis.[22]

29. For that reason, Governments of developed countries, backed by their central banks, have adopted massive debt-financed fiscal stabilization packages amounting to many trillions of United States dollars. This is not an option for developing countries, given the required scale. While in some developing countries, the central banks have adopted lender of last resort policies to support the economy in the wake of the COVID-19 emergency,[23] in many developing countries, central banks cannot take recourse to such measures without risking steep devaluations of their local currency against hard currencies. Thus, given the scale of the COVID-19 crisis, many developing countries, in particular those that have low international reserve cushions, remain heavily reliant on short-term international liquidity support in hard currencies.

30. This situation is all the more critical for developing countries that entered the pandemic with substantial external debt burdens. As is shown in figure IV, as a result of the build-up of debt and financial vulnerabilities discussed in the previous section, developing countries face a wall of debt service repayments on their public and publicly guaranteed debt in 2020 and 2021 alone of between $2 trillion and $2.3 trillion in the case of high-income developing countries and between $700 billion and $1.1 trillion for middle- and low-income developing countries.

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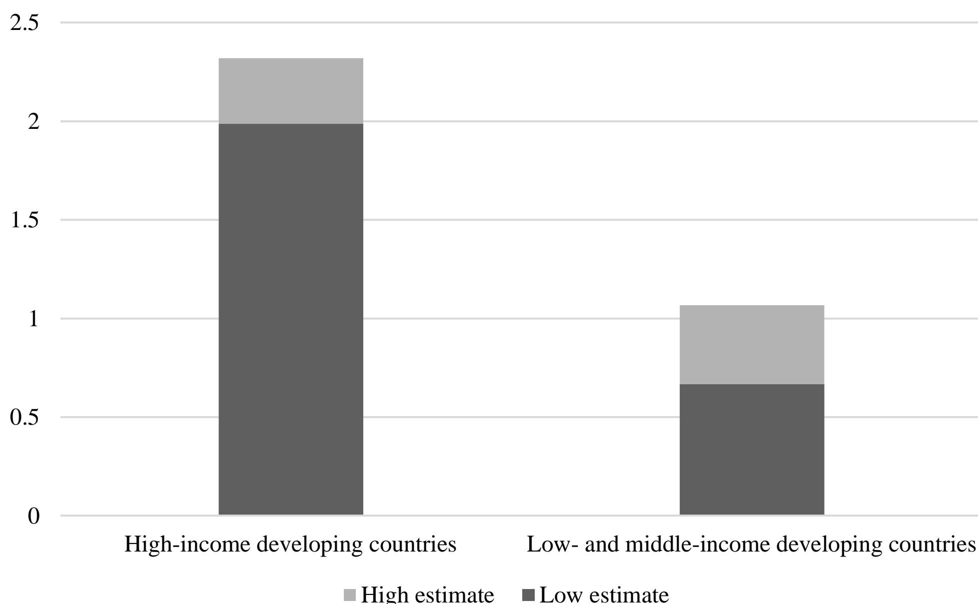
[22] See also UNCTAD, "The Covid-19 shock to developing countries: towards a 'whatever it takes' programme for the two-thirds of the world's population being left behind", *Trade and Development Report* update (March 2020).

[23] See, for example, Yavuz Arslan, Mathias Drehmann and Boris Hofmann, "Central bank bond purchases in emerging market economies", *BIS Bulletin* No. 20 (Basel, Switzerland, 2 June 2020).

Figure IV
Redemption schedules for public external debt 2020 and 2021, developing countries
(Trillions of current United States dollars)



Source: Calculations of the United Nations Conference on Trade and Development secretariat based on data from the Quarterly External Debt Statistics database of the World Bank, the Global Debt Monitor of the Institute of International Finance and the Global Debt Database of the International Monetary Fund.[24]

31. In "normal" times, much of this debt would be rolled over based on assessments of future debt sustainability to honour outstanding debt obligations plus interest. In times of COVID-19, however, at least four main transmission channels of this crisis put external debt sustainability in developing countries at systemic risk of failure.[25]

32. First, as shown in figure V, non-resident capital flight from developing countries in response to the pandemic massively overtook capital flow reversals in previous financial crisis episodes. This flight to safety was broad-based across developing regions, fuelling widespread currency depreciations, widening spreads on sovereign bonds and steep commodity price falls. Synchronized benchmark-driven portfolio investment strategies contributed to the size and global reach of non-resident capital flight from developing countries.[26] The procyclical flow-price dynamic of such portfolio capital outflows (with initial outflows triggering asset price slumps and exchange rate depreciations, and therefore further portfolio capital outflows) is

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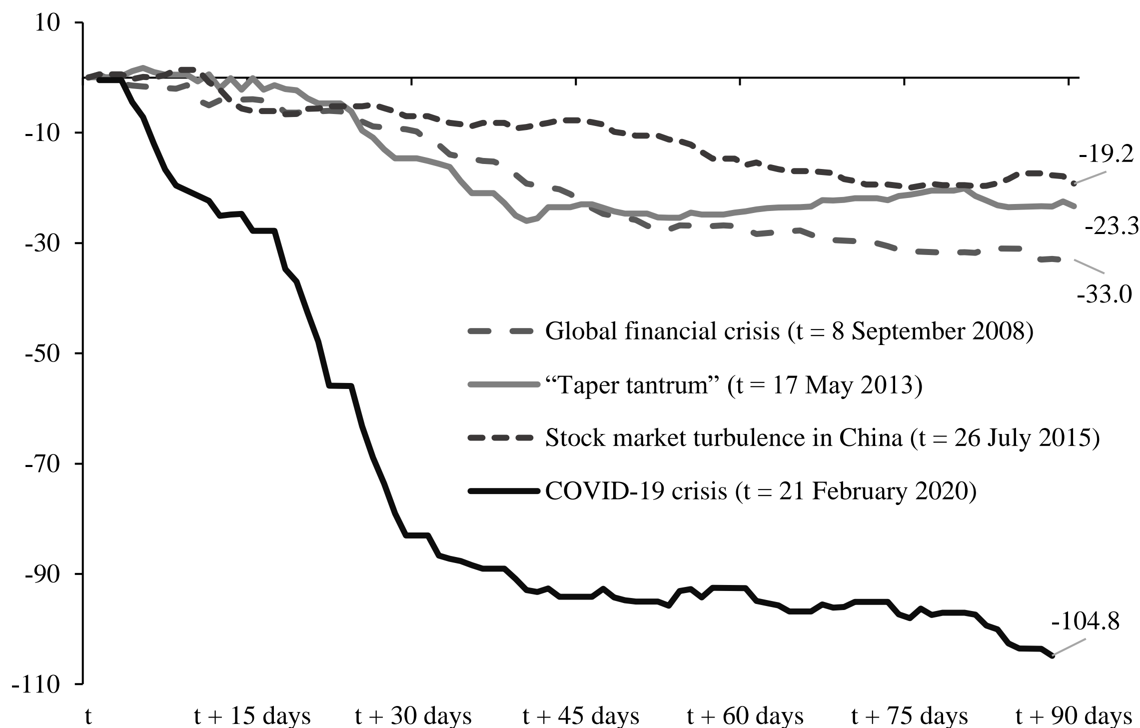
[24] The range estimates for redemption schedules for public external debt in 2020 and 2021 for all developing countries result from a combination of redemption schedules observed for 44 developing countries, including major developing economies, and estimated redemptions for all others taking into consideration their income group. Developing countries, in particular those within the same income group, show some degree of synchronization in their external debt redemption schedules, which is mostly shaped by the financial conditions prevailing in international financial markets. The low and high estimates refer to the lower and higher bounds of the distribution, respectively, defined as the tenth and ninetieth percentiles.

[25] See UNCTAD, "From the great lockdown to the great meltdown: developing country debt in the time of COVID-19", *Trade and Development Report* update (April 2020).

[26] See, for example, IMF, Global Financial Stability Report: *Vulnerabilities in a Maturing Credit Cycle*. (Washington, D.C., April 2019).

reinforced by credit rating agencies' downgrading developing country sovereign ratings in the process. While the initial portfolio capital flight in response to the pandemic has slowed since April (see figure V), that is largely due to purchases of domestic currency-denominated securities in local capital markets and of international bonds by Governments and corporations in Asia.[27]

Figure V
Cumulative net non-resident portfolio capital outflows from developing countries: different crises compared
(Billions of current United States dollars)



Source: Calculations of the United Nations Conference on Trade and Development secretariat based on the Daily Emerging Market Portfolio database of the Institute of International Finance.

33. Second, the combined negative impacts of the COVID-19 shock on the volume and value of international trade are set to massively undermine the access developing countries have to foreign currency earnings through international trade. Global merchandise trade has been estimated to decline by an unprecedented 18.5 per cent in the second quarter of 2020 compared with the second quarter of 2019.[28] Financial price speculation alongside reductions in global aggregate demand particularly affect developing countries that are dependent on commodities – in the first place, oil, closely followed by other minerals such as copper. To that must be added, the virtual collapse of the international tourist industry (trade services) that has been a lifeline to many middle- and low-income developing countries for years, including small island developing States.

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[27] Primrose Riordan and Thomas Hale, "Asian governments boost dollar borrowing to fight coronavirus", *Financial Times* (London), 8 May 2020.

[28] World Trade Organization, "Trade falls steeply in the first half of 2020", press release, 22 June 2020.

34. Third, remittances, which are a crucial source of foreign currency inflows for many middle- and low-income developing countries, are projected to fall by around 20 per cent in 2020 from a record level of $554 billion in 2019.[29]

35. Fourth, foreign direct investment in developing countries, usually a more stable modality of external financing, is expected to contract by up to 40 per cent in 2020 compared with 2019.[30] In addition to downward revisions of investment plans, many developing countries experience increased foreign currency outflows from transnational enterprise affiliates due to a rise in royalty payments, dividends and profit remittances being transferred to head offices struggling with falling revenues.

36. These unprecedented simultaneous pressures on already severe balance-of-payment constraints combine with crisis-related pressures on domestic public budgets. Those pressures on domestic public budgets stem, first and foremost, from the fall in public revenues caused by economic lockdowns in conjunction with increased health and social expenditures incurred to combat the effects of the pandemic. Given the weaker healthcare and social protection systems in most developing compared with developed countries, the additional effort required to mobilize domestic resources to combat the effects of the pandemic tends to be much higher. Moreover, as is common in times of crisis, contingent liabilities incurred by public authorities in "normal" times are likely to rear their head if public-private partnerships and other blended financing instruments unravel, as may happen in the wake of the COVID-19 shock, and if, in some developing countries, highly indebted State-owned enterprises with strategic roles find it impossible to refinance outstanding debt obligations. Since, in developing countries, hard currency debt is generally benchmarked off developments regarding sovereign debt, any deterioration at this level also has the potential to significantly increase external financing costs for private businesses, thereby worsening corporate debt sustainability overall.

37. In sum, unless the international community takes decisive action to respond appropriately, the effects of the pandemic on the external debt sustainability of developing countries (and their debt sustainability overall) are set to result in a vicious cycle of limited fiscal space to respond to the COVID-19 crisis, deteriorating indicators of external debt sustainability, downgrades by credit rating agencies and rising spreads on sovereign bonds, followed by a further capital outflow and, consequently, even less fiscal space for hard-hit developing economies to combat the COVID-19 crisis. With the pandemic gaining rather than losing momentum in some developing regions at the time of writing, serial sovereign defaults across the developing world are a distinct possibility.[31]

IV. Policy recommendations: from emergency debt relief to a durable solution for sustainable debt in developing countries

38. As indicated, the foremost requirement for developing countries to address the COVID-19 crisis and ensure a solid recovery is large-scale liquidity support, estimated to by IMF and the United Nations Conference on Trade and Development to amount to at least $2.5 trillion in the early days of the crisis. With the pandemic still unfolding, these early estimates may turn out to have been conservative, as subsequent estimates from IMF, World Bank and the United Nations indicate. Debt relief can make only a limited contribution to meet the liquidity requirements of

[29] World Bank, *COVID-19 Crisis Through a Migration Lens*, Migration and Development Brief No. 32 (Washington, D.C., April 2020).

[30] *World Investment Report 2020: International Production beyond the Pandemic* (United Nations publication, Sales No. E.20.II.D.23).

[31] IMF, "*Global Financial Stability Report* update" (Washington, D.C., June 2020).

developing countries. In addition, the more such liquidity support comes in the form of new borrowing, even on concessional terms, the greater the number of years that the external debt sustainability of developing countries will remain fragile, which will have wide-ranging implications for the implementation of Agenda 2030. Even so, well-designed debt relief is essential in that it addresses not only immediate liquidity pressures, but also has the potential to resolve problems of structural insolvency and long-term debt sustainability.

39. At present, IMF, through its Catastrophe Containment and Relief Trust, has cancelled debt repayments due to it by the 27 poorest developing economies, for six months, for an estimated $215 million.[32] However, what is setting the tone for the current approach taken by the international community to COVID-19-related debt relief is the Group of 20 debt service suspension initiative for the poorest countries, adopted on 15 April. Under the initiative, 73 primarily low-income developing countries are eligible for a suspension of debt repayments to their bilateral creditors between May and December 2020, provided that they have active borrowing status with IMF (including a request for future financing from IMF), can show that the temporarily freed-up resources are used for increased health and economic spending in response to the COVID-19 crisis and submit to the full disclosure of their public debt obligations (with the possible exception of commercially sensitive information).[33] The initiative covers an estimated $12 billion in bilateral debt owed by eligible countries, with just over half of those countries reported to have availed themselves of it by mid-June. Private creditors are called upon to join the initiative on comparable terms and multilateral development banks are asked to consider joining where doing so is compatible with maintaining current high credit ratings. For context, total external long-term public and publicly guaranteed debt stocks for countries eligible for the initiative stood at $457.3 billion at the end of 2018, of which $174.3 billion was owed to bilateral creditors.[34]

40. While the initiative is welcome as a way to provide urgently needed temporary breathing space to some of some the most vulnerable developing countries, it has brought to the fore the main stumbling blocks to advancing comprehensive solutions for the deteriorating external debt sustainability of developing countries before and after COVID-19. This concerns in particular the halting progress in bringing on board private creditors[35] and, thus far, a lack of appetite for a new multilateral debt relief initiative. Given the far-reaching influence that a small number of private credit rating agencies have on the terms of future market access for developing countries, Member States should consider measures to mitigate the mechanistic reliance on the assessments of those agencies, including in regulations, by promoting increased competition, taking measures to avoid conflicts of interest and improve the quality of ratings, and establishing more stringent transparency requirements on the evaluation standards of credit rating agencies.[36] A potential role for a publicly controlled credit rating agency could also be considered.

41. Moreover, with sovereign debt sustainability deteriorating rapidly across various categories of developing countries, decisive action is needed to widen the

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[32] See, for example, Jubilee Debt Campaign, “Reaction to $125 million of debt cancellation by IMF” (14 April 2020).

[33] Group of 20, “G20 finance ministers and central bank governors meeting, 15 April 2020 (virtual)”, communiqué (15 April 2020), annex II.

[34] See UNCTAD, “From the great lockdown to the great meltdown”, p. 8.

[35] See Institute of International Finance, letter to IMF, the World Bank and the Paris Club on a potential approach to voluntary private sector participation in the debt service suspension initiative, 1 May 2020.

[36] See General Assembly resolution 74/202.

scope of existing initiatives effectively.[37] In doing so, the following should be included:

(a) **Extended and broader temporary debt standstills**. Temporary standstills are essential to provide immediate macroeconomic breathing space for crisis-stricken developing countries to address the COVID-19 crisis and recover from its impacts. Such standstills should be granted to developing countries upon request, regardless of income-based or other eligibility criteria, should be comprehensive across all types of creditors (multilateral, bilateral and private) and should be automatically renewable on an annual basis as required. Comprehensiveness in terms of types of creditors is essential to prevent situations where resources freed up by the suspension of debt service repayments to some creditors are used to meet repayment schedules of other, uncooperative creditors. If all creditors are included and it is clear that the new situation is sustainable, the assessments of credit rating agencies of countries requesting assistance could be influenced positively;[38]

(b) **Long-term debt sustainability**. The breathing space gained from a more flexible approach to temporary standstills should be used to assess which countries require deeper sovereign debt restructurings, not only to return them to a path of short-term repayability of their debt obligations, but also to ensure that the repayability requirements are compatible with: (a) the sustainable restoration of inclusive growth, fiscal and trade balance trajectories; and (b) investment requirements arising from the timely implementation of Agenda 2030;

(c) **Debt swaps**. A lesser form of debt relief, as compared with deeper sovereign debt restructurings, could be provided in the form of debt-to-COVID-19 swaps to countries with high but sustainable debt burdens that are struggling to address the immediate effects of the COVID-19 crisis. Debt swap programmes can be effective in addressing various types of debt compositions in developing countries and, in particular, exposure to large commercial debts and large public debt stocks. Specific modalities would have to be agreed on and could broadly be modelled on existing debt swap programmes;

(d) **Official development assistance Marshall Plan**. For the poorest developing countries, immediate debt relief through a restructuring of their existing debt obligations to their official creditors to improve concessional terms and lower servicing costs could be financed through extended official development assistance. Alternatively, an official development assistance “Marshall Plan” to mobilize unfulfilled official development assistance commitments from the past could provide exceptional funding for COVID-19-related health expenditures in recipient countries, thereby contributing indirectly to mitigating rising debt burdens.

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[37] See UNCTAD, “From the great lockdown to the great meltdown”, pp. 9–12; United Nations, Department of Economic and Social Affairs, “COVID-19 and sovereign debt”, Policy Brief No. 72, 14 May 2020; and United Nations, “Debt and COVID-19: A Global Response in Solidarity”, 17 April 2020.

[38] See, for example, Patrick Bolton and others, “Born out of necessity: a debt standstill for COVID-19”. Centre for Economic Policy Research, Policy Insight Nr. 103 (April 2020). In their proposal, the authors recognize the absence of any established international mechanisms for enlisting full private creditor participation in debt standstills and suggest the establishment of a central credit facility at the World Bank and/or at regional development banks for countries requesting assistance in the form of temporary standstills. Such an arrangement would, in essence, provide an incentive for private creditors to participate in standstills by providing international seniority backup to assurances of future full repayment of outstanding debt obligations to participating private creditors, thereby putting non-cooperative private creditors on a back footing while initially allowing funds freed up through temporary standstills to be used for crisis responses.

42. It is clear, however, that deeper sovereign debt restructurings will be required as time passes, not least with a view to keeping Agenda 2030 on track.[39] The COVID-19 crisis has put the spotlight on well-known flaws in the current international non-architecture for addressing unsustainable sovereign debt burdens swiftly, fairly and comprehensively, in particular in developing countries. Those flaws include the "too little, too late" nature of past debt restructurings, debt crisis resolutions that strongly favour procyclical austerity policies that undermine future growth perspectives and debt sustainability, and the growing fragmentation of mechanisms for addressing different creditor interests, manifest in the problems posed by hold-out creditors.[40] As a result, since 1970, almost half of sovereign restructuring episodes with private creditors have been followed by another default within three to seven years, and 60 per cent were followed by further restructuring.[41]

43. It is therefore high time for the international community to step up its efforts to address those flaws systematically. Beyond emergency measures, such as the Group of 20 debt service suspension initiative and related proposals, such efforts should focus on improving both market-based and multilateral institutional mechanisms to provide providing durable solutions to developing country debt sustainability and thereby support development. Improvements to market-based approaches, such as the use of single-limb collective action clauses [42] to reign in private hold-out creditors, the more systematic use of state-contingent bonds and the inclusion of disaster clauses triggering automatic temporary standstills, can help to mitigate the costs of sovereign debt restructurings in the future, in particular where commercial debt, in particular bond debt, is significant. But such contractual improvements do not set guidelines for the overarching objectives of such restructurings and related underlying methodologies of the assessment of debt sustainability. In view of the COVID-19 crisis, it would seem of the utmost importance to advance a wider multilateral institutional framework that provides for transparent mechanisms for facilitating comprehensive creditor-debtor coordination and ensuring that any sovereign debt restructuring on that basis serves the welfare of all citizens concerned.

44. The United Nations is a long-standing forum for advancing creditor-debtor dialogue aimed at both preventing and resolving sovereign debt crises.[43] The Organization owes that status to the fact that it is not a creditor itself and provides an inclusive and democratic space for discussion.[44] It is an appropriate space for supporting an international action agenda for a durable solution in support of external debt sustainability for developing countries beyond the pandemic and the implementation of Agenda 2030. The High-level Event on Financing for Development in the Era of COVID-19 and Beyond[45] offers a space for inclusive deliberations in support of those goals.

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[39] See also A/74/234.

[40] See *Trade and Development Report 2015: Making the International Financial Architecture Work for Development* (United Nations publication, Sales No. E.15.II.D.4), pp. 132–140. See also *Trade and Development Report 2019*, pp. 96–101.

[41] Martin Guzman, "Sovereign debt crisis resolution: will this time be different?", presentation held at the twelfth UNCTAD Debt Management Conference, Geneva, 19 November 2019.

[42] See, for example, Mark Sobel, "Merits of single-limb CACs", Official Monetary and Financial Institutions Forum, 9 July 2018.

[43] See General Assembly resolution 69/319. See also UNCTAD, "Principles on promoting responsible sovereign lending and borrowing" (10 January 2012); UNCTAD, *Sovereign Debt Workouts: Going Forward – Roadmap and Guide* (April 2015).

[44] See Department of Economic and Social Affairs, "COVID-19 and sovereign debt".

[45] See United Nations, "Financing for development in the era of COVID-19 and beyond", available at www.un.org/en/coronavirus/financing-development.

Annex

External debt of developing countries

(Billions of United States dollars)

	2009–2019 average	*2016*	*2017*	*2018*	*2019*[a]
All developing countries					
Total external debt stocks[b]	7 722.0	8 387.6	9 233.7	9 712.5	10 057.0
Long-term external debt	5 407.1	6 145.3	6 634.4	6 842.2	7 110.5
Public and publicly guaranteed debt/long-term external debt	49.7%	48.1%	50.6%	51.4%	52.0%
Private non-guaranteed debt/long-term external debt	50.3%	51.9%	49.4%	48.6%	48.0%
Short-term external debt	2 166.8	2 110.4	2 455.8	2 698.8	2 752.8
Total external debt service	923.6	1 087.0	1 145.0	1 271.0	1 328.9
Debt ratio[c]					
Total external debt/GDP	26.9%	28.9%	29.1%	28.9%	29.0%
Total external debt/exports[c]	94.8%	113.5%	110.9%	105.1%	110.6%
Total debt service/GDP	3.2%	3.7%	3.6%	3.8%	3.9%
Total debt service/exports[c]	11.4%	14.7%	13.7%	13.8%	14.6%
Reserves/short-term debt	354.6%	334.0%	302.5%	273.6%	278.8%
Debt service on public and publicly guaranteed debt/government revenue	3.7%	4.2%	4.1%	4.5%	4.7%
High-income developing economies					
Total external debt stocks[b]	5 072.9	5 523.9	6 160.2	6 593.1	6 768.7
Long-term external debt	3 211.1	3 720.8	4 052.5	4 217.9	4 364.2
Public and publicly guaranteed debt/long-term external debt	44.7%	43.0%	44.9%	46.0%	47.0%
Private non-guaranteed debt/long-term external debt	55.3%	57.0%	55.1%	54.0%	53.0%
Short-term external debt	1 799.7	1 753.6	2 055.7	2 295.8	2 313.5
Total external debt service	591.7	727.4	780.2	838.7	871.3
Debt ratio[c]					
Total external debt/GDP	25.4%	27.1%	27.8%	27.9%	28.0%
Total external debt/exports[d]	88.2%	103.5%	104.0%	101.4%	106.3%
Total debt service/GDP	3.0%	3.6%	3.5%	3.6%	3.7%
Total debt service/exports[d]	10.4%	13.6%	13.2%	12.9%	13.7%
Reserves/short-term debt	329.9%	311.2%	275.0%	244.3%	245.7%
Debt service on public and publicly guaranteed debt/government revenue	2.7%	3.0%	3.2%	3.1%	3.0%

	2009–2019 average	2016	2017	2018	2019[a]
Middle-income developing economies					
Total external debt stocks[b]	1 590.1	1 747.8	1 948.2	2 051.6	2 175.2
Long-term external debt	1 300.7	1 447.3	1 606.4	1 702.1	1 803.1
Public and publicly guaranteed debt/long-term external debt	65.5%	64.1%	65.7%	66.2%	66.1%
Private non-guaranteed debt/long-term external debt	34.5%	35.9%	34.3%	33.8%	33.9%
Short-term external debt	241.5	252.6	287.1	292.7	308.6
Total external debt service	177.9	225.5	213.9	241.1	289.7
Debt ratio[c]					
Total external debt/GDP	26.0%	27.1%	27.8%	28.4%	28.4%
Total external debt/exports[d]	100.3%	121.2%	117.0%	110.5%	117.5%
Total debt service/GDP	2.8%	3.5%	3.1%	3.3%	3.8%
Total debt service/exports[d]	11.1%	15.6%	12.8%	13.0%	15.6%
Reserves/short-term debt	464.7%	418.9%	405.5%	385.5%	402.3%
Debt service on public and publicly guaranteed debt/government revenue	6.3%	7.7%	6.7%	7.4%	8.9%
Low-income developing economies					
Total external debt stocks[b]	115.5	129.1	143.1	148.7	163.1
Long-term external debt	98.8	112.1	124.9	130.6	143.0
Public and publicly guaranteed debt/long-term external debt	91.4%	90.1%	90.4%	90.7%	87.4%
Private non-guaranteed debt/long-term external debt	8.6%	9.9%	9.6%	9.3%	12.6%
Short-term external debt	8.0	8.7	9.3	9.2	8.6
Total external debt service	5.0	5.9	6.3	7.6	9.2
Debt ratio[c]					
Total external debt/GDP	29.6%	32.0%	33.3%	31.9%	33.1%
Total external debt/exports[d]	141.6%	181.7%	170.9%	158.8%	171.1%
Total debt service/GDP	1.2%	1.5%	1.5%	1.7%	1.9%
Total debt service/exports[d]	6.2%	8.6%	7.9%	8.4%	10.1%
Reserves/short-term debt	658.3%	509.8%	561.0%	564.5%	641.7%
Debt service on public and publicly guaranteed debt/government revenue	5.3%	6.6%	6.6%	8.1%	7.9%

	2009–2019 average	2016	2017	2018	2019[a]
Economies in transition					
Total external debt stocks[b]	943.5	986.7	982.1	919.0	950.0
Long-term external debt	796.6	865.1	850.6	791.7	800.2
Public and publicly guaranteed debt/long-term external debt	39.2%	37.5%	43.2%	41.6%	41.2%
Private non-guaranteed debt/long-term external debt	60.8%	62.5%	56.8%	58.4%	58.8%
Short-term external debt	117.7	95.4	103.7	101.2	122.1
Total external debt service	149.0	128.1	144.5	183.7	158.8
Debt ratio[c]					
Total external debt/GDP	40.4%	53.5%	44.8%	39.6%	39.7%
Total external debt/exports[d]	129.3%	184.2%	149.9%	116.2%	122.6%
Total debt service/GDP	6.5%	6.9%	6.6%	7.9%	6.6%
Total debt service/exports[d]	20.7%	23.9%	22.1%	23.2%	20.5%
Reserves/short-term debt	500.2%	514.3%	541.7%	593.6%	571.4%
Debt service on public and publicly guaranteed debt/government revenue	6.4%	7.4%	6.2%	10.3%	9.4%
Least developed countries					
Total external debt stocks[b]	272.2	309.4	336.4	356.6	378.0
Long-term external debt	230.5	267.5	290.1	312.8	330.8
Public and publicly guaranteed debt/long-term external debt	84.8%	82.1%	84.4%	84.3%	85.1%
Private non-guaranteed debt/long-term external debt	15.2%	17.9%	15.6%	15.7%	14.9%
Short-term external debt	27.9	29.7	33.3	30.1	29.5
Total external debt Service	17.9	21.3	22.5	25.9	33.5
Debt ratio[c]					
Total external debt/GDP	30.3%	32.1%	31.1%	33.9%	34.6%
Total external debt/exports[d]	129.2%	163.1%	151.2%	148.7%	159.8%
Total debt service/GDP	1.9%	2.2%	2.1%	2.5%	3.1%
Total debt service/exports[d]	8.5%	11.4%	10.3%	11.0%	14.4%
Reserves/short-term debt	404.1%	406.1%	379.6%	414.8%	449.2%
Debt service on public and publicly guaranteed debt/government revenue	8.5%	10.8%	9.2%	11.7%	17.2%

	2009–2019 average	2016	2017	2018	2019[a]
Small island developing States					
Total external debt stocks[b]	40.8	43.8	45.7	48.6	50.4
Long-term external debt	29.9	31.4	32.5	35.3	37.1
Public and publicly guaranteed debt/long-term external debt	65.7%	70.3%	71.9%	67.8%	64.9%
Private non-guaranteed debt/long-term external debt	34.3%	29.7%	28.1%	32.2%	35.1%
Short-term external debt	9.3	10.7	11.5	11.7	11.5
Total external debt service	6.1	5.0	6.5	6.6	7.0
Debt ratio[c]					
Total external debt/GDP	55.0%	60.7%	60.5%	60.5%	61.7%
Total external debt/exports[d]	155.3%	171.0%	166.9%	165.2%	172.4%
Total debt service/GDP	8.2%	6.9%	8.6%	8.2%	8.5%
Total debt service/exports[d]	24.7%	21.8%	23.4%	22.9%	24.3%
Reserves/short-term debt	235.0%	208.4%	205.3%	200.8%	208.8%
Debt service on public and publicly guaranteed debt/government revenue	9.7%	13.5%	11.1%	9.8%	10.0%

Source: United Nations Conference on Trade and Development secretariat calculations, based on World Bank, the International Monetary Fund and national sources.

Note: Country groups are economic groups as defined under UNCTADstat classifications, available at https://unctadstat.unctad.org/EN/Classifications.html. The category "all developing countries" refers to countries with high-income, middle-income and low-income developing economies and those with economies in transition.

Abbreviation: GDP, gross domestic product.

[a] 2019 estimates.

[b] Total debt stocks include long-term debt, short-term debt and use of International Monetary Fund credit.

[c] Data used for ratio calculations have been adjusted according to country data availability.

[d] Exports comprise goods, services and primary income.