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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

In the present report, prepared by the secretariat of the United Nations Conference on Trade and Development pursuant to General Assembly resolution 75/205, current developments in the global economy and their implications for external debt sustainability in developing economies are considered. The evolution of main indicators of external debt sustainability in 2020 is analysed. While spiralling debt crises have been avoided so far, owing largely to debt service suspensions and more flexible access to concessional emergency financing, most indicators have deteriorated significantly during 2020, highlighting growing risks of external insolvency in the coming years. In the present report, an overview is provided of the main initiatives to mitigate debt distress in developing countries in the wake of the coronavirus disease (COVID-19) pandemic crisis, with the conclusion that insufficient progress has been made to avert rising sovereign debt distress and defaults in the near future. A more decisive approach to post-pandemic debt relief and cancellations is called for.

I. Introduction: a fragile and uneven global economic environment in which to "recover better"

1. The devastating economic and social impact of the coronavirus disease (COVID-19) pandemic is clear. The United Nations Conference on Trade and Development (UNCTAD) estimates that world output contracted by 3.9 per cent in 2020, the sharpest annual drop of global aggregate economic activity in the recorded history of these statistics.[1] The International Monetary Fund (IMF) puts this figure at 3.3 per cent and estimates that the volume of world trade fell by 8.5 per cent in 2020.[2] According to the International Labour Organization (ILO), the pandemic resulted in the unprecedented loss of 144 million jobs around the world in 2020,[3] a figure that only partially captures the impact of the crisis on informal employment, which made up around 60 per cent of global employment in 2019.[4] The World Bank estimates that the crisis has pushed 150 million more people into extreme poverty by 2021, with 8 out of 10 of the "new poor" in middle-income countries,[5] while the World Food Programme has doubled its estimations of people facing famine since the onset of the COVID-19 crisis to 265 million.[6]

2. In this context, and as stressed in the previous report (A/75/281), the pandemic hit developing countries' external debt sustainability through several transmission channels simultaneously, including unprecedented non-resident portfolio capital outflows and reductions in foreign direct investment during the first months of the pandemic, sharp falls in export earnings and the virtual collapse of the tourism industry, as well as a slump in commodity prices and remittances. The immediate consequence was drastically reduced fiscal space in many developing countries. According to a recent report, developed countries have spent, on average, $9,836 per person to respond to the pandemic. By contrast, the least developed countries could only afford $17 per person,[7] which negatively affected already fragile external debt sustainability. Of 99 low-income countries assessed through the IMF-World Bank Debt Sustainability Framework for Low-Income Countries, over half (54) were in debt distress or at high risk of debt distress in 2020, compared with only 16 countries in 2013, the lowest point reached in the reporting on such data.[8] While the increase from 2019 (52) has been marginal, underlying vulnerabilities were high prior to the pandemic and have worsened during 2020 despite international support measures (see sect. III below). These figures also do not include sovereign defaults in 2020 in other developing countries, such as Argentina, Ecuador, Lebanon and Suriname.

3. Nevertheless, with a global recovery, driven by advanced countries' strongly expansionary fiscal and monetary responses to the crisis and optimism about vaccination programmes in their economies, now tentatively under way – forecasts for world output growth in 2021 range from 4.7 per cent to 6.0 per cent –[9] there is

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[1] UNCTAD, "Out of the frying pan…into the fire?", *Trade and Development Report* update, March 2021.

[2] IMF, *World Economic Outlook, April 2021: Managing Divergent Recoveries* (Washington, D.C., 2021).

[3] ILO, "ILO Monitor: COVID-19 and the world of work, seventh edition – updated estimates and analysis", 25 January 2021.

[4] ILO, *World Employment and Social Outlook: Trends 2020* (Geneva, 2020).

[5] See www.worldbank.org/en/news/press-release/2020/10/07/covid-19-to-add-as-many-as-150-million-extreme-poor-by-2021.

[6] See https://reliefweb.int/report/world/statement-un-human-rights-experts-universal-access-vaccines-essential-prevention-and.

[7] Institute for New Economic Thinking, "The pandemic and the economic crisis: a global agenda for urgent action", interim report on the global response to the pandemic, 2021.

[8] *Financing for Sustainable Development Report 2021* (United Nations publication, 2021), p. 129.

[9] UNCTAD, *Trade and Development Report* update, and IMF, *World Economic Outlook, April 2021*, respectively.

good reason for caution about the impact on external debt sustainability in developing countries. Of the transmission channels mentioned, two – net negative non-resident portfolio flows and falling commodity prices – have seen a turnaround in the second half of 2020 and into 2021. The potentially positive role of these developments is muted by their diverse impact on developing countries, by the uneven pattern of the economic recovery between advanced and developing economies and by still limited access to (affordable) vaccines in the majority of developing countries.

4. The return of global financial investors to developing countries since the second quarter of 2020 has been driven by the search for higher yields abroad, given a low interest rate environment in developed countries in 2020.[10] This return initially benefited mainly larger emerging market economies, especially in East Asia.[11] Since late 2020 and into 2021, international bond issuance and commercial bank lending have also seen an upturn in some frontier economies (low- and middle-income countries),[12] bolstered in part by the prospect of a new allocation of $650 billion in special drawing rights and growing consensus around the need to rechannel unused special drawing rights from advanced economies to low- and middle-income countries. Even so, financial conditions in many frontier markets have remained challenging, with sovereign spreads widening in many countries.[13]

5. One reason for the continued challenges is that the reflux of non-resident portfolio funds to some developing countries is subject to growing volatility. Of major concern are expectations of inflationary pressures and rising long-term interest rates in developed economies, particularly the United States of America, in the wake of their accelerating economic recovery.[14] Such expectations are likely to push up borrowing costs for developing countries, reverse portfolio capital inflows into those countries at least partially and trigger domestic currency depreciations,[15] which will drive up the value of the foreign currency-denominated debt of those countries. Thus, net non-resident purchases of emerging market stocks, equity and debt for developing countries already saw a marked drop in February 2021,[16] against a background of currency depreciations of more than 20 per cent in some emerging market economies and between 20 per cent and 50 per cent in some frontier economies in 2020.[17] Consequently, some central banks in the developing world have started to tighten monetary conditions, risking a premature brake on their own economic recovery and a further deterioration of their external debt sustainability.[18]

6. With regard to the second channel, rising commodity prices from around the second half of 2020 helped to alleviate balance of payment constraints in developing countries that are commodity exporters. A distinct characteristic of this upturn in commodity prices has been that it has affected all commodity categories (oil, agriculture and metals), thus fuelling expectations of a new "commodity

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[10] Bank of International Settlements, *Annual Economic Report, June 2020* (Basel, Switzerland, 2020).

[11] UNCTAD, *Trade and Development Report* update.

[12] Bryan Hardy and Előd Takáts, "International banking amidst COVID-19: resilience and drivers", *BIS Quarterly Review* (December 2020).

[13] IMF, *Global Financial Stability Report: Pre-empting a Legacy of Vulnerabilities* (Washington, D.C., 2021); and *BIS Quarterly Review* (March 2021).

[14] IMF, *World Economic Outlook, April 2021*; and *World Bank, Global Economic Prospects, June 2021* (Washington, D.C., 2021).

[15] Jonathan Wheatley, "Rate expectations: developing countries threatened by US inflation", *Financial Times*, 5 June 2021.

[16] Şebnem Kalemli-Özcan, "A COVID-19 tantrum?", *Finance and Development*, vol. 58, No. 2 (June 2021).

[17] UNCTAD secretariat calculations based on Refinitiv rates.

[18] *BIS Quarterly Review* (March 2021).

supercycle".[19] While this may be the case for biofuels and industrial metals relevant to energy transition, the current upswing for other commodities rests on more idiosyncratic factors,[20] such as the build-up of speculative investment in commodity futures, the growing gap between supply and demand in many markets resulting from resurgent industrial activity in China and advanced economies, weaker-than-expected harvests and falling oil inventories.[21] At the same time, the current commodity price boom is a contributory factor to inflationary pressures on commodity importers and to rising food insecurity in poorer developing countries.[22]

7. In addition, the recovery of remittances has been very gradual[23] and tourism revenues have remained subdued,[24] with developing economies that are primarily dependent on these sources of foreign exchange continuing to encounter deepening challenges to their external debt sustainability.

8. Potentially positive developments in international financial and commodity markets for some developing countries over the past few months may therefore be short-lived, unless a balanced and truly global economic recovery from the pandemic that takes on board both environmental and developmental concerns can be coordinated. In the current context, such a recovery, first and foremost, requires a comprehensive multilateral approach to vaccination, without which economic recovery in developing countries remains unlikely.

9. Even assuming that current risks to the recovery of developing countries posed by overheating in advanced economies can be mitigated, pressures on external debt sustainability are set to remain high in the coming years. First, many frontier markets, particularly in sub-Saharan Africa, face large amounts of their sovereign bond issuances maturing in 2024. Unless much of this debt can be restructured before then, rising systemic debt distress and debt crises are inevitable. Upcoming debt repayment burdens arising from the end of the Group of 20 Debt Service Suspension Initiative in December 2021 will worsen this situation. Not only will countries participating in the Initiative no longer be able to count on savings under it, they will also have to add suspended repayments to their repayment schedules from 2022. Second, COVID-19-related emergency financing by multilateral and regional lenders – amounting to around $105 billion in the case of IMF since the onset of the crisis –[25] represents new debt that needs to be serviced. So far, the only lasting debt relief has been provided by IMF, through its Catastrophe and Containment Relief Trust, to 29 eligible countries through grants to cover two years of debt service payments to the Fund, amounting to just short of $1 billion for the period between April 2020 and April 2022.

II. Main trends in external debt sustainability

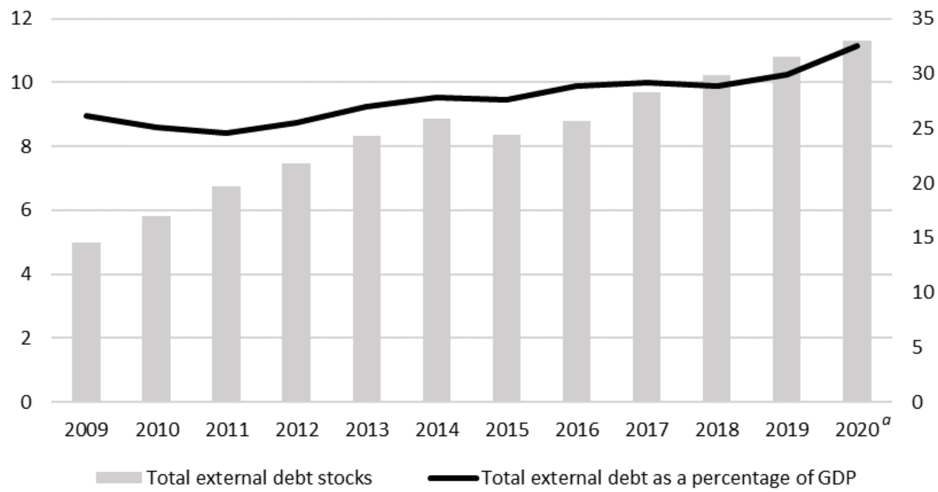
10. As expected, the external debt sustainability of developing countries further deteriorated in 2020 despite partial debt service suspensions for the poorest economies and increased access to concessional financing. The trends reveal in particular growing constraints on external solvency rather than more transitory

[19] Neil Hume and Emiko Terazono, "Markets weigh prospect of new commodities supercycle", *Financial Times*, 13 May 2021.
[20] Jumana Saleheen and Lavan Mahadeva, "Too early to call a commodities supercycle", *Financial Times*, 19 February 2021.
[21] IMF, *World Economic Outlook, April 2021*.
[22] UNCTAD, *Trade and Development Report* update, box 1.
[23] Hasnain Malik, "Remittances are still helping many emerging markets, but Nigeria is an outlier", Tellimer, 9 May 2021.
[24] See www.unwto.org/unwto-tourism-dashboard.
[25] *Financing for Sustainable Development Report 2021*, p. 143.

international liquidity constraints, suggesting that growing optimism about financial resilience in developing countries may be premature.

11. The external debt stocks of developing countries and economies in transition (developing countries in short) reached a record level of $11.3 trillion in 2020, 4.6 per cent above the figure for 2019 and 2.5 times that for 2009 ($4.5 trillion). Given an output contraction of 2.2 per cent in 2020[26] for the developing world as a whole, the average ratio of total external debt to gross domestic product (GDP) reached 32.5 per cent, the highest since 2003 (see figure I). If China is excluded, owing to its large size and low levels of external indebtedness, this figure rises to 43.9 per cent in 2020, up from 38.9 per cent in 2019.

Figure I
Total external debt stocks and external debt as a percentage of GDP, all developing countries and economies in transition, 2009–2020
(Trillions of United States dollars and percentage of GDP)



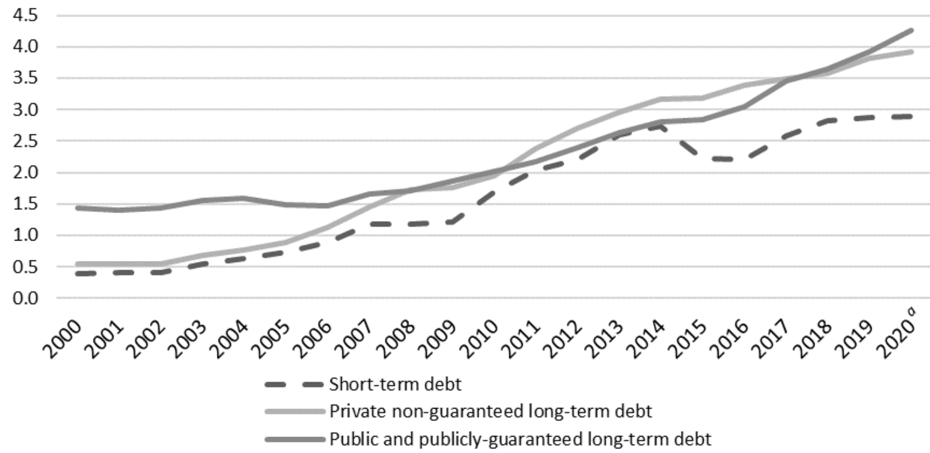
Source: UNCTAD secretariat calculations based on World Bank, IMF and national sources.
[a] Estimate.

12. Moreover, the composition of external debt has changed, with public and publicly-guaranteed long-term external debt overtaking private non-guaranteed long-term external debt as the main component of the external debt profiles in most developing countries since 2018, a trend clearly reinforced by the onset of the COVID-19 pandemic (see figure II). While private non-guaranteed debt became a driving factor for the overall indebtedness of developing countries in the aftermath of the global financial crisis,[27] the recent faster growth of public and publicly-guaranteed debt compared with private non-guaranteed debt reflects the stronger reliance on public borrowing in times of crisis. Thus, while public and publicly-guaranteed debt grew by 8.7 per cent in 2020 – clearly above its average annual growth rate since 2009 of 7.5 per cent – private non-guaranteed debt grew at only 2.9 per cent. Current shares of private non-guaranteed debt, in both long- and short-term external debt, nevertheless remain high by historical standards

[26] IMF, *World Economic Outlook, April 2021,* and UNCTAD, *Trade and Development Report* update.
[27] *Trade and Development Report 2019: Financing a Global Green New Deal* (United Nations publication, 2019), chap. IV, sect. B.

(48.0 per cent and 34.7 per cent, respectively, in 2020), entailing considerable contingent liabilities for the public sector.[28]

Figure II
Trends in total external debt composition, all developing countries and economies in transition, 2000–2020
(Trillions of United States dollars)



Source: UNCTAD secretariat calculations based on World Bank, IMF and national sources.
[a] Estimate.

13. Developing countries' external solvency – their ability to service their external debt obligations (usually in foreign currency) – remains largely dependent on their export earnings. Broad indicators of external solvency have deteriorated markedly in 2020 across the developing world. The ratio of total external debt to exports rose from 110 per cent in 2019 to 129 per cent in 2020, surpassing the high levels of the early 2000s, resulting from a combination of a continued rise in external debt stocks and the shock to export earnings caused by the pandemic. For the same reason, the service of public and publicly-guaranteed debt as a percentage of export earnings rose to 15.8 per cent in 2020 from 14.7 per cent in 2019, the highest level since 2002.

14. For developing countries as a whole, the percentage of government revenues spent on servicing public and publicly-guaranteed debt fell slightly, from 4.7 per cent in 2019 to 4.4 per cent in 2020, despite substantial pressure on government revenues in the wake of the COVID-19 crisis. While this fall reflects in part the impact of the Debt Service Suspension Initiative, the average figure is heavily influenced by the low share of government revenues spent on servicing public and publicly-guaranteed debt in high-income developing countries, which accounts for almost 70 per cent of developing countries' external debt stocks. It therefore masks much higher shares of government revenues going to servicing public and publicly-guaranteed debt in low- and middle-income countries, the least developed countries and small island developing States (see paras. 16–28 below). Moreover, in 62 developing countries, the share of government expenditure spent on the servicing of public and publicly-guaranteed debt was higher than on health expenditure and in many cases also than on education expenditure in 2020.[29]

[28] See also A/74/234 and A/75/281.
[29] Daniel Munevar, "A debt pandemic: dynamics and implications of the debt crisis of 2020", Briefing Paper (Brussels, European Network on Debt and Development, 2021).

15. The ratio of international reserves to short-term debt – a broad indicator of external liquidity – remained stable in 2020 (299 per cent) compared with 2019 (286 per cent), albeit at levels far below the peak in 2009 (499 per cent), suggesting high overall vulnerability to sudden capital flow reversals and liquidity crises. The slight increase in this indicator in 2020 relative to 2019 reflects the reflux of portfolio capital to some developing countries from the second quarter of 2020.

A. Main external debt trends by developing country groups[30]

16. Small island developing States have been particularly heavily affected by the COVID-19 pandemic. Their combined GDP fell by more than 6 per cent in 2020, compared with a fall of 2.2 per cent for all developing countries, owing mainly to steep contractions in two key sectors, coastal tourism and fisheries.[31] The virtual collapse of their tourism industries during 2020 is reflected in a 42.5 per cent fall in the group's earnings from exports of goods and services, compared with 10.7 per cent for all developing countries.[32] As a consequence, the ratio of total external debt to exports rose to 75.3 per cent in 2020 from 61.8 per cent in 2019 and from levels of around 40 per cent in the early 2000s. Similarly, the ratio of debt service to exports increased from 20 per cent in 2019 to 34 per cent in 2020. Small island developing States also spent the largest share of government revenues on servicing their public and publicly-guaranteed debt in 2020, reaching almost 20 per cent for the group as a whole, indicating a strong squeeze of much-needed fiscal space. Although the ratio of international reserves to short-term debt remained stable in those States compared with 2019, this indicator was already at a very low level (190 per cent) since its peak in 2009 (316 per cent) and in comparison with other developing country groups. Overall, therefore, the long-standing exposure of small island developing States to external solvency and liquidity crises – marked by their growing reliance on short-term and private non-guaranteed debt in response to limited access to concessional finance – has clearly been reinforced during the pandemic. While, as with all other groups, there is diversity among those States with regard to their external debt sustainability, not least relating to their degree of environmental vulnerability, only 18 of the 59 small island developing States were eligible to join the Debt Service Suspension Initiative, excluding some with the highest public debt and debt service burdens.[33]

17. 2020 marked the worst economic performance of the group of the least developed countries in three decades,[34] although the heterogeneity of the group is reflected in GDP growth rates ranging from minus 8.5 per cent to plus 1.5 per cent in 2020. External debt sustainability in this group was most affected by the collapse of export revenues, bringing the ratio of total external debt to exports up from 158 per cent in 2019 to more than 200 per cent in 2020, a slightly smaller annual increase than in the small island developing States, but to much higher levels. At the same time, the ratio of debt service to exports rose to 14.4 per cent in 2020 from 13.0 per cent in 2019, its highest level since 2000. The ratio of public and publicly-guaranteed debt service to government revenues reached 11.4 per cent in 2020, compared with 5.0 per cent in 2000 and 7.2 per cent in 2009. However, this indicator has registered

[30] Country groups are economic groups in line with UNCTADstat classifications (as at 31 March 2021). Different from purely income-based classifications, the group of the 46 least developed countries is classified using additional criteria, such as degrees of economic vulnerability and structural impediments, as well as levels of human development.

[31] Organisation for Economic Co-operation and Development, "COVID-19 pandemic: towards a blue recovery in small island developing States", 26 January 2021.

[32] See www.unwto.org/news/tourism-back-to-1990-levels-as-arrivals-fall-by-more-than-70.

[33] See www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative.

[34] *The Least Developed Countries Report 2020: Productive Capacities for the New Decade* (United Nations publication, 2020).

a slight fall since 2019, reflecting the high rate of participation in the Debt Service Suspension Initiative by the least developed countries. While the impact of the Initiative was too small to prevent a deterioration of the ratio of debt service to exports, it helped to stabilize the share of government revenues going to the servicing of public and publicly-guaranteed debt, since the fall in government revenues was less pronounced than that of export earnings. Public and publicly-guaranteed debt in the least developed countries still accounts for around 70 per cent of total external debt, but the significant growth of private non-guaranteed debt at an annual rate of 16 per cent since 2000 continues to pose risks of growing contingent liabilities for the public sector.[35] From the point of view of the group's vulnerability to liquidity problems, the ratio of international reserves to short-term debt has remained relatively stable since the global financial crisis, at around 400 per cent compared with less than 100 per cent in 2000, owing to both a falling share of short-term debt in total external debt (from 9.3 per cent in 2019 to 8.7 per cent in 2020) and stable or growing international reserves. Overall, these indicators suggest that, as a group, the least developed countries primarily face deepening external solvency problems, with the prospect of immediate liquidity crises also lessened by new and reallocated special drawing rights in 2021.

18. The external debt trends of low-income countries (not including small island developing States) largely mirror those in the least developed countries, with small differences. The indicators of external solvency also deteriorated as a result of the fall in export revenues, with the ratio of total external debt to exports reaching 220.5 per cent in 2020, the highest since 2005, and the ratio of total debt service to exports climbing to 13.2 per cent, the record level since 2000. The share of government revenues going to service public and publicly-guaranteed debt was lower than in the least developed countries and also fell from 9.8 per cent in 2019 to 8.2 per cent in 2020, for the same reason. Similarly, external liquidity conditions saw an improvement in 2020, with international reserves exceeding short-term debt by more than seven times, owing in part to a fall in short-term debt from 7.9 per cent in 2019 to 5.7 per cent in 2020. Public and publicly-guaranteed debt still accounted for 86 per cent of the long-term external debt of low-income countries and for 75 per cent of their total external debt in 2020, most of which was held by official multilateral and bilateral creditors in 2019 (latest data available).[36] While the increase in external debt vulnerability was thus slightly less pronounced in low-income countries than in the least developed countries, the patterns point to the same predominance of solvency problems, with around 45 per cent of low-income countries (as classified by UNCTAD) assessed to be at high risk of debt distress by IMF and the World Bank in April 2021.

19. As highlighted in previous reports (A/74/234 and A/75/281), the external debt profile of middle-income countries (excluding small island developing States) has for some time been marked by higher risk exposure and debt vulnerabilities than most other developing country groups, resulting from their virtual exclusion from concessional sources of external debt financing and consequently their greater reliance on international financial markets. The Debt Service Suspension Initiative is only open to 73 eligible International Development Association countries, excluding a large number of vulnerable middle-income countries with elevated debt levels. In addition, only half of the few eligible middle-income countries have participated in the Initiative for fear of loss of access to international capital markets.[37] While the

[35] See also A/75/281.

[36] UNCTAD secretariat calculations based on World Bank data.

[37] UNCTAD secretariat calculations based on www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative and Lars Jensen, "Sovereign debt vulnerabilities in developing economies: which countries are vulnerable and how much debt is at risk?" Development Futures Series Working Paper (New York, UNDP, 2021).

much higher shares of private non-guaranteed debt and of short-term debt in total external debt (compared with low-income countries and least developed countries) fell slightly in 2020, this mainly reflects adverse financing conditions for many middle-income countries throughout 2020.[38] Even though the ratio of external debt to exports is lower than in low-income countries and in the least developed countries, it rose to 148.2 per cent in 2020 from 119.9 per cent in 2019, the highest level since 2005. The ratio of total debt service to exports increased from 14.7 per cent in 2019 to 17.5 per cent in 2020, a level much higher than in low-income countries and in the least developed countries. The share of government revenues spent on servicing public and publicly-guaranteed debt also rose from 8.4 per cent in 2019 to 9.0 per cent in 2020. Although the ratio of international reserves to short-term debt recorded a small increase to 475.3 per cent in 2020, owing mainly to a decrease in short-term debt, it still remains much below the level recorded in 2009 (675.6 per cent), indicating weakening liquidity buffers, in particular relative to this group's higher vulnerability to portfolio capital flow volatility.

20. The COVID-19 crisis also affected the external debt sustainability of high-income countries (excluding small island developing States) negatively, but to a lesser extent. The ratio of total external debt to exports increased from 104.8 per cent to 120.3 per cent, less pronouncedly than in other country groups but still to the highest level since 2000. Debt service as a share of exports also remained well below levels in other groups (at 3.8 per cent in 2020), registering only a marginal increase from 2019, reflecting the fact that high-income countries benefited most from the reflux of funds to developing countries since the second quarter of 2020[39] and the greater importance of manufacturing exports from high-income countries, which saw a strong recovery from the third quarter of 2020. The low share of government revenues spent on servicing public and publicly-guaranteed debt (3 per cent in 2020) is due largely to such debt accounting for less than half of total external debt in high-income countries. By contrast, the liquidity buffers of those countries, while remaining stable between 2019 and 2020, have almost halved since 2009 to 257.3 per cent in 2020. This halving, together with much higher shares of private non-guaranteed debt (53.3 per cent) and short-term debt (31.5 per cent) in total external debt, highlight their particularly high vulnerability to private capital flow volatility and reversals.

21. The external debt sustainability of economies in transition was affected primarily by the fall in remittances and the slump in oil prices that entailed a contraction in export revenues of almost 20 per cent in 2020, only marginally below that in small island developing States. Consequently, both indicators of external solvency deteriorated: the ratio of total external debt to exports reached 158.7 per cent, the highest level since 2000, and the ratio of total debt service to exports rose to 27.5 per cent, also the highest since 2000, with the exception of 2015. This group also has high liquidity buffers, standing at 689.3 per cent in 2020.

B. Main external debt trends by developing regions

22. For developing country regions, the impact of the COVID-19 pandemic on external debt sustainability has been severe, albeit diverse, with only the indicator of external liquidity showing an upward or stable trend across all regions. However, liquidity buffers were considerably lower than elsewhere in two very different regions, East Asia and the Pacific and sub-Saharan Africa, with international reserves covering short-term debt by only around 2.5 times, compared with between 4 and 7 times in other regions. This is particularly worrying in the case of sub-Saharan Africa, which

[38] IMF, *Global Financial Stability Report*.

[39] UNCTAD, *Trade and Development Report* update, and IMF, *Global Financial Stability Report*.

is much more vulnerable to deepening external solvency problems. It should, however, be kept in mind that the indicator of international reserves to short-term debt tends to underestimate liquidity vulnerabilities, since it excludes volatile non-resident portfolio flows to national capital markets in emerging market economies and does not take account of very uneven access to the global financial safety net (IMF lending, central bank swaps and regional financial arrangements) across regions.

23. With the exception of East Asia and the Pacific, external solvency problems sharpened across all regions. Sub-Saharan Africa, the poorest developing region, was the most affected, with the pandemic strongly reinforcing trends observed since 2015. The ratio of external debt to GDP increased from 158.3 per cent in 2019 to 209.6 per cent in 2020, the highest level since 2000 and the second highest of all regions (after Latin America and the Caribbean), reflecting the extraordinary fall in export earnings of 20 per cent in 2020 and a 5 per cent increase in external debt stocks. As a result, the ratio of total external debt service to exports jumped significantly from 15.3 per cent in 2019 to 20 per cent in 2020, also the highest since 2000. Sub-Saharan African economies faced continued high pressures on their fiscal spaces, with the share of government revenues spent on public and publicly-guaranteed debt service more than tripling from its lowest level in 2011 to 10.5 per cent in 2020. A small fall in this indicator from 11.7 in 2019 reflects the high share of countries participating in the Debt Service Suspension Initiative.

24. The Middle East and North Africa witnessed the steepest fall in export earnings in 2020 of all regions (28 per cent) owing to the region's high dependency on oil exports. With external debt stocks growing at just over 5 per cent in 2020, the ratio of total external debt to exports jumped from 97.8 per cent in 2019 to a new record level of 144.5 per cent in 2020, and the ratio of external debt service to exports rose from 10.3 in 2019 to 14.6 per cent in 2020, also the highest level since 2000. With the region recording a fall in government revenues of 20 per cent in 2020 (the highest after Latin America and the Caribbean), the share of government revenues going to debt service payments on public and publicly-guaranteed debt kept its upward trend since 2009, reaching 8.8 per cent in 2020, with the region also benefiting to a lesser extent than sub-Saharan Africa from the Debt Service Suspension Initiative. The region was the only one to record a (slight) fall in external liquidity buffers.

25. Latin America and the Caribbean recorded the sharpest fall in output growth of all regions in 2020, at around 7 per cent, the highest fall in 120 years.[40] However, the region's export revenues, while contracting significantly in 2020 (by 14.6 per cent), fell less than in East Asia and the Pacific and the Middle East and North Africa, owing to its more diversified export structure, and total external debt stocks grew at a much lower pace in 2020 (1.47 per cent compared with an average rate of 7.44 per cent between 2009 and 2020). Even so, the region had already recorded the worst indicators for external solvency before the pandemic, with ratios of total external debt to exports of 186.7 per cent and of total debt service to exports of 29.3 per cent in 2019. In 2020, both indicators rose further, to 221.8 and 31.5 per cent, respectively, the highest of all regions. The ratio of public and publicly-guaranteed debt service to government revenues recorded a small fall, from 11 per cent in 2019 to 10 per cent in 2020, but still well above levels following the global financial crisis.

26. Developing economies in Europe and Central Asia registered the second highest ratio of total external debt to exports in 2020 (172 per cent compared with 139 per cent in 2019), below only Latin America and the Caribbean. In this region, external debt stocks did not rise in 2020, with the deterioration of their external solvency stemming

[40] Economic Commission for Latin America and the Caribbean, *Fiscal Panorama of Latin America and the Caribbean: Fiscal Policy Challenges for Transformative Recovery post-COVID-19*, (Santiago, 2021).

exclusively from the fall in export earnings of around 19 per cent in 2020 owing to high dependency on oil and other energy commodity exports. As a consequence, the ratio of total debt service to exports climbed from 25 per cent in 2019 to 31 per cent in 2020, the highest increase for all regions. The share of government revenues going to servicing public and publicly-guaranteed debt has remained stable since 2019, at just above 7 per cent, in part reflecting a falling share of public and publicly-guaranteed debt in overall external debt, contrary to other regions.

27. In South Asia, the ratio of total external debt to exports increased from 125 per cent in 2019 to 147 per cent in 2020, the highest level since 2003, which in addition to the fall in export earnings due to the pandemic reflects faster growth in short-term debt (of almost 6 per cent) compared with other regions, except for East Asia and the Pacific. Consequently, the ratio of total debt service to exports also rose, from 12 per cent in 2019 to 14.5 per cent in 2020, continuing its upward trend since 2011. By contrast, the share of government revenues spent on servicing public and publicly-guaranteed debt is much lower than in most other regions, with only a small increase from 2019 to 5.4 per cent in 2020, owing to the relatively lower weight of public and publicly-guaranteed debt in overall external debt compared with other groups and even a moderate decrease in debt service on this debt in 2020.

28. Although East Asia and the Pacific (excluding China) registered its weakest economic performance in at least 30 years, with a 1.0 per cent output contraction in 2020, the region fared relatively well owing to more effective pandemic control, swift recovery of national production and strong merchandise export performance.[41] Moreover, the region's exposure to external debt vulnerabilities was the lowest at the start of the pandemic, with almost all indicators below those of other regions, The only solvency indicator that registered a moderate deterioration in 2020 was the ratio of total external debt to exports, which rose from 83.6 per cent to 92.2 per cent, since the positive export performance was not sufficient to compensate for the growth in external debt, the highest of all regions (7.3 per cent), owing to the region being a main beneficiary of improved financing conditions in international financial markets since mid-2020. Despite a marginal increase in 2020 in its historically low share of public and publicly-guaranteed debt in total external debt owing to the pandemic, the region saw a slight increase in the share of government revenues spent on public and publicly-guaranteed debt service, still reaching the very low level of only 1.5 per cent in 2020. By contrast, its liquidity buffers in terms of international reserves are much lower than a decade ago and the lowest of all regions.

III. Initiatives, proposals and policy recommendations

29. The trends described in section II suggest that, while spiralling sovereign debt crises in the developing world could be avoided in 2020, underlying solvency issues have not been addressed and new pressures on external debt sustainability are building up. In effect, the response by the international community to rising debt distress during the pandemic has largely been to postpone addressing the issue by favouring partial standstills on debt service payments and concessional multilateral emergency lending (new debt) over coordinated and comprehensive debt relief. The biggest danger to economic recovery, and therefore also to stable or improved debt sustainability, in developing countries now arises from pressures to adopt premature fiscal and monetary consolidation policies owing to a combination of three main factors: rising debt service payments on debt accumulated in the past; adverse impacts of inflationary pressures in developed economies on borrowing costs, capital flows

[41] Economic and Social Commission for Asia and the Pacific, *Economic and social Survey of Asia and the Pacific 2021: Towards post-COVID-19 Resilient Economies* (Bangkok, 2021).

and exchange rates; and austerity conditionalities attached to new multilateral lending and debt relief. This could result in prolonged periods of contractionary national adjustment and, where these eventually prove insufficient to service external debt burdens, delayed and costly defaults. As indicated in a recent United Nations policy brief on liquidity and debt solutions, "the time to act is now".[42]

A. Main current initiatives and proposals

30. The Debt Service Suspension Initiative is delivering much-needed temporary reprieve to participating countries, as noted in section II, albeit on a limited scale. According to current projections, it potentially covers $30.3 billion in external debt obligations due by participating debtor countries to bilateral creditors between May 2020 and December 2021, if all eligible countries were to participate. This amounts to roughly one fifth (21 per cent) of debt service payments due by Debt Service Suspension Initiative-eligible countries on their public and publicly-guaranteed debt in 2020 and 2021 (estimated at $87.1 billion) and around half of such payments due to bilateral creditors ($34.3 billion) in the same period.[43] It covers only 1.3 per cent of total external debt service payments due in all developing countries ($1.39 trillion) and 6.6 per cent of such payments due in middle-income countries ($277.4 billion) in 2020 alone. As at 8 March 2021, 43 of the 73 eligible International Development Association countries were estimated by IMF to have requested assistance under the Initiative, amounting to $5.7 billion in debt service suspensions in 2020. Under this scenario, a further $7.3 billion of debt service suspension for participating countries is expected for the first half of 2021.[44] With the end of the Initiative in sight and large principal repayments coming to maturity in many developing countries in two to three years' time, including in Debt Service Suspension Initiative-eligible countries, its scope and reach have clearly been insufficient to avert rather than postpone external debt distress, even in only the poorest developing countries.

31. Proposals to address emergency debt relief and liquidity constraints, including by the Initiative on Financing for Development in the Era of COVID-19 and Beyond, co-convened by the Prime Ministers of Canada and Jamaica and the Secretary-General,[45] have comprised debt cancellations, debt-swap programmes, debt buy-back programmes for commercial debt, the reprofiling or exchange on more concessional terms of debt owed to official creditors, the allocation of new and re-allocation of unused special drawing rights to vulnerable countries, including middle-income countries, and the extension and expansion of the Debt Service Suspension Initiative and the Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative to include vulnerable middle-income countries, as well as guarantee facilities at the World Bank and other multilateral development banks to facilitate private creditor participation in the Initiative.[46] Of these proposals, tangible progress is being made, at present, only in regard to debt-swap programmes, under the Economic Commission for Latin America and the Caribbean Debt for Climate Adaption Swap

[42] United Nations, "Liquidity and debt solutions to invest in the SDGs: the time to act is now", policy brief, March 2021.

[43] UNCTAD secretariat calculations based on the World Bank International Debt Statistics database. The data available cover 68 Debt Service Suspension Initiative-eligible countries. Projections of debt service payments data for 2020 and 2021 are based on data reported through the World Bank Debtor Reporting System by the end of 2018; see https://datatopics.worldbank.org/debt/ids.

[44] See www.imf.org/en/About/FAQ/sovereign-debt.

[45] See www.un.org/en/coronavirus/financing-development. See also *Financing for Sustainable Development Report 2021*.

[46] Patrick Bolton and others, "Born out of necessity: a debt standstill for Covid-19", Centre for Economic Policy Research Policy Insight No. 103, April 2020.

initiative for the Caribbean[47] and the Climate/SDGs Debt Swap Initiative recently launched by the Economic and Social Commission for Western Asia.[48]

32. In addition, several proposals targeting medium-to-longer-term measures to avert sovereign debt crises in the developing world – many of which are also gathered under the Initiative on Financing for Development in the Era of COVID-19 and Beyond – have ranged from increased debt transparency to the promotion of market-based debt financing instruments tied to longer-term concerns, such as the Sustainable Development Goals and climate change, reforms of debt sustainability assessments in this regard, the strengthening of national and international legal and soft law tools to limit litigation by hold-out creditors and more fully-fledged reforms of sovereign debt workout mechanisms.

33. The most important development has been the adoption by the Group of 20 of the Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative.[49] While this has been widely welcomed as a first step towards a more comprehensive approach to sovereign debt workout mechanisms, concerns remain in two main areas. First, the framework is limited to Debt Service Suspension Initiative-eligible countries and to Group of 20 bilateral creditors, with beneficiary countries expected to seek at least equal treatment from other bilateral and private creditors. This can prove an insurmountable challenge for poorer developing countries with limited bargaining power vis-à-vis powerful private creditor groups. Second, it replicates an approach to debt sustainability assessments and related policy conditionalities for debt relief and restructuring that emphasizes national austerity programmes.[50] This is particularly inadequate in the current context, in which many developing countries already face premature constraints on their fiscal and monetary policy spaces arising from the uneven pattern of economic recovery in developed and developing countries, at a time when countercyclical policies are essential to their recovery.

34. Progress on these measures has so far largely remained focused on two areas that were already priorities before to the COVID-19 crisis: the further promotion of debt transparency, in particular in debtor countries; and the extended use of innovative market-based financing instruments (such as enhanced collective action clauses in sovereign bonds, State-contingent debt instruments and green bonds) in both debt crisis prevention and resolution.[51]

B. Policy recommendations

35. A more decisive approach to delivering exceptional and substantial post-pandemic debt relief and cancellations is required, if another lost decade in developing countries is to be avoided. This should be based on current debt vulnerabilities (rather than income criteria) and aimed at facilitating a sustainable economic recovery from the pandemic in developing countries. Failure to engage with the urgency of putting developing countries' debt burdens on a more stable and long-

[47] See, for example, www.cepal.org/sites/default/files/news/files/19-00814-debt_initiative_flyer-web.pdf.
[48] See, for example, www.unescwa.org/news/launch-escwa-climate-sdgs-debt-swap-initiative.
[49] Group of 20, statement issued by the extraordinary meeting of Group of 20 Finance Ministers and Central Bank Governors, 13 November 2020, annex I.
[50] The framework explicitly links debt treatment to "the parameters of an upper credit tranche (UCT) IMF-supported program", i.e. standard IMF loan conditionalities.
[51] IMF, "The international architecture for resolving sovereign debt involving private-sector creditors: recent developments, challenges, and reform options", policy paper, No. 2020/043, 23 September 2020.

term footing through meaningful debt relief and management now will make future crisis resolutions more costly for debtors and ultimately also for creditors.

36. A major stumbling block to delivering comprehensive post-pandemic debt relief and cancellations, or even temporary debt service payment suspension such as under the Debt Service Suspension Initiative, is the lack of mechanisms to ensure private creditor participation, given their growing ownership of developing country sovereign debt over the past two decades (see A/74/234 and A/75/281). For some low-income countries and least developed countries, with high shares of their public and publicly-guaranteed debt owed to official creditors, the risk of debt relief going to pay private creditors is limited, and one-off debt cancellations beyond the $1 billion currently provided by IMF to the 29 poorest economies through its Catastrophe Containment and Relief Trust should be considered. However, for a growing number of developing countries, including frontier markets and middle-income countries, private creditor participation in debt relief initiatives is essential.

37. In the absence of comprehensive reforms of the international sovereign debt architecture, including statutory creditor participation in debt relief initiatives, proposals to promote debt buy-back programmes of commercial debt (trading at sizeable discounts) and/or guarantees to participating private creditors of future full repayment of post-haircut debt obligations by international lenders should be further pursued. In the context of a post-pandemic debt relief initiative, multilateral funding for such initiatives might be substantial given the pervasiveness of debt distress and the larger role of privately held sovereign debt than, for instance, was the case for the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative. However, this has to be weighed against the opportunity costs of escalating debt crises without effective post-pandemic debt relief.

38. Furthermore, private bondholders' ability to resist participation in debt relief initiatives is facilitated by the lack of transparency in sovereign bond markets and the powerful role of institutional investors. The Voluntary Principles for Debt Transparency of the Institute of International Finance[52] are an important step in the right direction, but explicitly exclude publicly listed bonds on the grounds that these are already covered by sufficient disclosure requirements. As recent research shows,[53] this is far from being the case in practice. Measures suggested to improve transparency include a public registry for loan and debt data that includes sovereign bonds as well as other borrowing instruments and provides substantial coverage across developing country income groups, in addition to improved disclosure regulations for sovereign bond contracts and holdings.

39. As a first step towards a more substantive reform of the international debt architecture, progress in two main areas remains essential to facilitate debt relief (see also A/75/281):

i. A transparent and predictable international framework for debt standstills. The COVID-19 pandemic has amply demonstrated the costs of the lack of such a mechanism. This should be clearly time-limited and make provisions for interim financing measures to safeguard the continued functioning of the debtor economy, as well as for automatic standstills on creditor litigation during the debt standstill. The mechanism should be triggered on request by the debtor and sanctioned through a creditor-debtor independent procedure;

[52] See www.iif.com/Publications/ID/3387/PageID/3387/Voluntary-Principles-For-Debt-Transparency.

[53] Daniel Munevar, "Sleep now in the fire: sovereign bonds and the covid-19 debt crisis" (Brussels, European Network on Debt and Development, 2021). See also Odette Lienau, "UNCTAD comment on the Institute of International Finance draft voluntary principles for debt transparency", 10 May 2019.

ii. Debt sustainability assessments and tools that systematically incorporate longer-term development finance needs, including for the achievement of the Sustainable Development Goals and international climate targets.[54] This would be an important contribution to avoiding premature returns to self-defeating processes of fiscal consolidation, such as those currently threating to undermine developing countries' recovery from the pandemic.

40. As highlighted by the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights in her recent report on credit rating agencies (see A/HRC/46/29),[55] the problematic role of such agencies, especially the "big three", in the international financial system has been particularly evident in the context of efforts to mitigate the impact of the COVID-19 crisis on developing country debt sustainability. Although credit rating agencies did not downgrade countries for participating in the Debt Service Suspension Initiative, they deterred them from seeking equal treatment from private creditors since that would have constituted a default event and thus a downgrade. This will also hamper participation in the Group of 20 Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative. This mechanical behaviour in times of a major crisis has reinforced long-standing concerns about high market concentration, controversial methodologies, conflicts of interest arising from providing paying clients with ratings and countercyclical impacts on capital flows. Proposals for an international public credit rating agency, regulatory reforms of private credit rating agencies and the inclusion of developmental, social and environmental indicators in their ratings should therefore be pursued as a matter of urgency.

41. While progress in these areas can hopefully be achieved in view of the scale of the COVID-19 crisis and the need to support developing countries' recoveries through exceptional and comprehensive debt relief and cancellation measures, a more systematic approach to reforming the sovereign debt architecture will be needed for the longer haul. A decisive step in this direction would be to task an independent expert-based international agency, purpose-built to recommend, coordinate and facilitate steady incremental improvements to the international financial architecture dealing with sovereign debt.[56]

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[54] See, for example, Penelope Hawkins and Daniela Magalhães Prates, "Global financial safety nets, SDRs and sustainable development finance: can the options on the table deliver needed fiscal space?", UNCTAD project paper 01/21, sect. 4, 2021.

[55] See also S. Griffith-Jones and M. Kraemer, "Credit ratings and developing economies", Department of Economic and Social Affairs working paper, forthcoming.

[56] UNCTAD, "A modest proposal for a global sovereign debt authority", forthcoming.

Annex

External debt of developing countries by developing country groups

(Billions of United States dollars)

	2009–2020 average	*2017*	*2018*	*2019*	*2020*[a]
All developing countries					
Total external debt stocks[b]	8 442.7	9 687.1	10 213.8	10 805.9	11 304.3
Long-term external debt	5 946.8	6 957.9	7 220.0	7 737.0	8 192.4
Public and publicly-guaranteed debt/long-term external debt	49.2%	49.7%	50.6%	50.7%	52.1%
Private non-guaranteed debt/long-term external debt	50.8%	50.3%	49.4%	49.3%	47.9%
Short-term external debt	2 341.4	2 585.5	2 822.2	2 876.8	2 885.5
Total external debt service	991.1	1 169.7	1 309.8	1 441.3	1 388.7
Debt ratio[c]					
Total external debt/GDP	28.0%	29.2%	28.9%	29.9%	32.5%
Total external debt/exports[c]	96.1%	107.4%	101.4%	110.0%	128.9%
Total debt service/GDP	3.3%	3.5%	3.7%	4.0%	4.0%
Total debt service/exports[c]	11.3%	13.0%	13.0%	14.7%	15.8%
Reserves/short-term debt	335.6%	306.4%	280.5%	285.7%	298.9%
Debt service on public and publicly-guaranteed debt/government revenue	3.9%	4.1%	4.5%	4.7%	4.4%
High-income developing countries					
Total external debt stocks[b]	5 705.8	6 599.8	7 070.6	7 441.7	7 787.6
Long-term external debt	3 677.2	4 369.4	4 582.9	4 915.6	5 223.9
Public and publicly-guaranteed debt/long-term external debt	44.0%	44.15%	45.3%	45.4%	46.5%
Private non-guaranteed debt/long-term external debt	56.0%	55.9%	54.7%	54.6%	53.5%
Short-term external debt	1 961.7	2 178.4	2 408.1	2 429.4	2 452.4
Total external debt service	649.6	805.9	881.8	992.2	930.2
Debt ratio[c]					
Total external debt/GDP	26.9%	28.0%	27.9%	29.1%	31.4%
Total external debt/exports[d]	89.4%	99.6%	96.5%	104.8%	120.3%
Total debt service/GDP	3.1%	3.4%	3.5%	3.9%	3.8%
Total debt service/exports[d]	10.2%	12.2%	12.0%	14.0%	14.4%
Reserves/short-term debt	306.9%	278.8%	250.7%	251.9%	257.3%
Debt service on public and publicly-guaranteed debt/government revenue	2.8%	3.1%	3.0%	3.4%	2.9%

	2009–2020 average	2017	2018	2019	2020[a]
Middle-income developing countries					
Total external debt stocks[b]	1 665.5	1 954.6	2 063.1	2 224.6	2 355.4
Long-term external debt	1 361.2	1 605.3	1 704.8	1 843.0	1 972.9
Public and publicly-guaranteed debt/long-term external debt	65.5%	65.6%	66.1%	65.8%	66.7%
Private non-guaranteed debt/long-term external debt	34.5%	34.4%	33.9%	34.2%	33.3%
Short-term external debt	254.3	294.4	301.4	319.9	308.5
Total external debt service	184.7	213.9	237.7	272.9	277.4
Debt ratio[c]					
Total external debt/GDP	27.0%	28.1%	28.5%	29.2%	32.3%
Total external debt/exports[d]	105.5%	117.7%	110.9%	119.8%	148.2%
Total debt service/GDP	3.0%	3.1%	3.3%	3.6%	3.8%
Total debt service/exports[d]	11.7%	12.8%	12.7%	14.7%	17.5%
Reserves/short-term debt	458.8%	410.9%	395.0%	409.0%	475.3%
Debt service on public and publicly-guaranteed debt/government revenue	6.9%	7.1%	7.7%	8.4%	8.9%
Low-income developing countries					
Total external debt stocks[b]	121.4	143.5	154.8	165.3	176.5
Long-term external debt	103.8	125.3	134.2	142.7	154.0
Public and publicly-guaranteed debt/long-term external debt	90.1%	89.7%	88.2%	87.9%	85.9%
Private non-guaranteed debt/long-term external debt	9.9%	10.3%	11.8%	12.1%	14.1%
Short-term external debt	8.8	9.3	11.7	13.1	10.1
Total external debt service	5.3	5.6	6.9	9.1	10.3
Debt ratio[c]					
Total external debt/GDP	28.5%	31.6%	31.1%	31.5%	34.0%
Total external debt/exports[d]	153.2%	173.9%	167.9%	178.7%	220.5%
Total debt service/GDP	1.3%	1.3%	1.5%	1.8%	2.1%
Total debt service/exports[d]	6.8%	7.0%	7.7%	10.1%	13.2%
Reserves/short-term debt	686.7%	587.0%	594.2%	531.9%	728.0%
Debt service on public and publicly-guaranteed debt/government revenue	5.9%	6.7%	7.6%	9.8%	8.2%

	2009–2020 average	2017	2018	2019	2020[a]
Economies in transition					
Total external debt stocks[b]	950.0	989.1	925.3	974.3	984.8
Long-term external debt	804.6	857.9	798.1	835.7	841.7
Public and publicly-guaranteed debt/long-term external debt	39.9%	42.8%	41.3%	42.2%	46.1%
Private non-guaranteed debt/long-term external debt	60.1%	57.2%	58.7%	57.8%	53.9%
Short-term external debt	116.6	103.4	101.0	114.4	114.5
Total external debt service	151.5	144.3	183.5	167.2	170.8
Debt ratio[c]					
Total external debt/GDP	40.1%	45.3%	39.6%	40.4%	44.9%
Total external debt/exports[d]	128.7%	151.5%	116.9%	126.5%	158.7%
Total debt service/GDP	6.4%	6.6%	7.9%	6.9%	7.8%
Total debt service/exports[d]	20.5%	22.1%	23.2%	21.7%	27.5%
Reserves/short-term debt	525.8%	565.2%	619.3%	635.7%	683.9%
Debt service on public and publicly-guaranteed debt/government revenue	6.0%	6.2%	10.3%	7.0%	7.3%
Least developed countries					
Total external debt stocks[b]	281.4	329.5	354.0	384.7	411.3
Long-term external debt	238.8	284.1	308.5	334.1	359.0
Public and publicly-guaranteed debt/long-term external debt	84.0%	84.1%	83.2%	81.9%	82.7%
Private non-guaranteed debt/long-term external debt	16.0%	15.9%	16.8%	18.1%	17.3%
Short-term external debt	28.9	32.5	31.8	35.9	35.7
Total external debt service	18.7	22.6	24.8	31.4	29.3
Debt ratio[c]					
Total external debt/GDP	30.8%	32.1%	33.0%	34.5%	36.6%
Total external debt/exports[d]	134.8%	151.3%	145.9%	157.9%	201.8%
Total debt service/GDP	2.1%	2.2%	2.3%	2.9%	2.6%
Total debt service/exports[d]	9.0%	10.4%	10.2%	12.9%	14.4%
Reserves/short-term debt	420.7%	400.3%	442.6%	413.2%	457.0%
Debt service on public and publicly-guaranteed debt/government revenue	8.6%	10.1%	11.2%	12.7%	11.4%

	2009–2020 average	2017	2018	2019	2020[a]
Small island developing States					
Total external debt stocks[b]	42.4	46.4	49.1	51.2	54.7
Long-term external debt	30.9	32.8	35.6	36.7	39.6
Public and publicly-guaranteed debt/long-term external debt	66.2%	71.6%	67.8%	67.9%	69.6%
Private non-guaranteed debt/long-term external debt	33.8%	28.4%	32.2%	32.1%	30.4%
Short-term external debt	9.7	11.8	11.8	12.8	12.9
Total external debt service	6.2	6.5	6.8	6.9	6.7
Debt ratio[c]					
Total external debt/GDP	58.4%	61.0	60.9	61.8	75.3
Total external debt/exports[d]	178.7%	158.2%	155.8%	157.8%	293.4%
Total debt service/GDP	8.6%	8.6%	8.4%	8.4%	9.3%
Total debt service/exports[d]	27.2%	21.8%	21.6%	20.1%	34.1%
Reserves/short-term debt	223.8%	208.0%	207.7%	192.8%	199.4%
Debt service on public and publicly-guaranteed debt/ government revenue	16.9%	14.6%	14.5%	23.2%	20.2%

Source: United Nations Conference on Trade and Development secretariat calculations, based on World Bank, 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.