United Nations A/54/370

General Assembly

Distr.: General
21 September 1999

Original: English

Fifty-fourth session
Agenda item 97 (e)
Macroeconomic policy questions: external debt crisis and development

Recent developments in the debt situation of developing countries

Report of the Secretary-General

Contents

99-27135 (E) 041099

I. Introduction

1. Pursuant to General Assembly resolution 53/175 on enhancing international cooperation towards a durable solution to the external debt problem of developing countries, the present report analyses recent developments in the debt situation of developing countries, as well as new initiatives introduced by the international community to tackle the debt problems of developing countries.

2. Since the publication of the previous report of the Secretary-General (A/53/378), the debt problem of the heavily indebted poor countries (HIPCs) has remained largely unresolved. However, the G-7 countries at their Summit at Cologne in June 1999 agreed on a number of measures aiming at giving a renewed impetus to the HIPC initiative, making debt relief faster and deeper. The worst phase of liquidity crisis in the middle-income countries has been overcome, and recovery has timidly redressed the economies of Asian countries, which are, however, still struggling with problems of corporate sector debt. The G-7 has also looked into proposals to involve more the private sector in crisis management and prevention.

II. Recent trends in external debt

A. All developing countries

3. Total external debt of developing countries and countries in transition at the end of 1998 was estimated at nearly $2.5 trillion, an increase of 6 per cent over the 1997 level of $2.3 trillion (see table 1). Short-term debt was reduced, and represented less than 17 per cent of the total as compared with 20 per cent in 1997. As a result of a reduction in exports and a slowing down of gross domestic product (GDP) growth, there has been an important increase in the ratios of debt to exports and debt to GDP, although overall, with debt to exports equivalent to 146 per cent and debt to GDP to 37 per cent, these indicators did not signal major problems. Measures taken in the wake of the Asian crisis have contributed to reduce the reliance on short-term debt, which in 1998 took about 59 per cent of the stock of foreign exchange reserves compared with 71 per cent in 1997.

4. The amount of total paid debt service remained almost unchanged, while arrears on interest and principal payments increased slightly. Paid debt service in proportion of total scheduled debt service[1] stood at about 71 per cent. The distribution of debt among the different developing and transition country regions has not changed in a significant way. Latin America accounted for 30 per cent of the total, while Asia increased its share to 35 per cent, and Africa[2] together with the Middle East and Eastern Europe and Central Asia maintained their respective shares of 17 and 18 per cent.

5. The general trends do not reveal the situation of particular groups of countries, which remains a source of serious concern for the international community. The problems of the HIPCs, which are structurally rooted, are far from being resolved, while other poor countries are also facing a mounting debt burden as a result of adverse conditions in the commodities markets. The dramatic situation of countries affected by war and natural disasters requires urgent assistance that should include significant debt relief. A number of middle-income countries in Asia have overcome a first phase of an acute balance-of-payments crisis but still have to resolve their corporate debt problems. Other middle-income countries have experienced serious payments problems as a result of the contagious spreading of the Asian crisis and of the debt default of the Russian Federation.

B. Asia

6. The debt of the two subregions in Asia — East Asia, and the Pacific and South Asia — as reported in table 1, showed an increase of more than 6 per cent. There are some notable differences between these two parts of Asia. For example, the composition of their debt is different. In East Asia, reliance on short-term debt is relatively more important, and private and non-guaranteed debt still represented 16 per cent of total long-term debt in 1998 despite the takeover of part of this debt (especially bank sector debt) by the public sector following the crisis (the share of public and publicly guaranteed debt in total long-term debt was 69 per cent in 1997 and increased to 84 per cent in 1998). In South Asia, short-term debt accounted only for 6 per cent of total debt, and the bulk of long-term debt is public and publicly guaranteed. Another noticeable fact is the very low amount of arrears in South Asia, as paid debt service reached 98 per cent of scheduled debt service. This is the region which has the lowest level of arrears.

7. In the East Asian countries most hit by the crisis, the economic downturn seems to have been reversed. The latest projections for the five countries (Indonesia, Malaysia, the Philippines, the Republic of Korea, Thailand) show the beginning of an economic recovery.[3] Sharp currency devaluations gave a strong boost to exports, although in a first phase the improvement in the current account was obtained mostly by compressions of imports. Within a year, the combined current account of these five countries has changed

from a deficit of about $25 billion in 1997 to a surplus of almost $72 billion in 1998.[4] This dramatic turnaround reflected factors due to a sharp cut in external finance, cuts in imports, and recently significant increases in exports. The debt of these five countries remained unchanged at a level estimated at around $478 billion. The situation of Indonesia still appears precarious, with GDP growth projected to be negative (although GDP would decline in 1999 by much less than in 1998) and the debt indicators reveal potential servicing problems (for example, the ratio of external debt to exports was estimated at 240 per cent in 1998).[5] In general, however, economic prospects look much better for these countries, as a strengthening of exchange rates has allowed substantial reductions of interest rates, while government fiscal stimulus has raised domestic demand. At the same time, vigorous efforts have been made to bring about financial and corporate restructurings, and most of the debt of the banking sector has been restructured, although the debt of the corporate sector has not been satisfactorily resolved.

8. Experiences in the restructuring of external and domestic debt in these countries have met with different degrees of success. In the Republic of Korea, as domestic banks have played a major role in intermediating external debt by on-lending to the corporate sector, efforts were made at the early phase of the crisis to restructure the short-term debt of financial institutions in order to prevent a collapse in the financial system. In January 1998, negotiations were engaged with foreign creditors to refinance short-term debt of financial institutions into medium-term debt, with a guarantee from the Government of the Republic of Korea; by March 1998, almost the totality of short-term debt of domestic banks was refinanced. At the same time, the Government has implemented measures to restructure the financial sector, injecting substantial public money (estimated to reach won 41 trillion) to purchase non-performing loans for recapitalization purposes, to cover losses resulting from mergers and acquisitions, and to pay depositors of closed institutions. The Government has not directly interfered in corporate sector restructuring. The debts of the *chaebols* of the Republic of Korea remained high (their debt/equity ratio still exceeding on average 300 per cent) and carried the risk of major disruptions for the economy, as can be witnessed by the latest difficult debt restructuring negotiations between Daewoo and its domestic and foreign creditors.

9. In Thailand, the Government has not directly intervened to help domestic banks renegotiate their debt with foreign creditors. However, Thai banks appeared to have successfully reached agreements with their foreign creditors, mostly Japanese banks, to roll over or lengthen the maturity of short-term credit. On the other hand, the Thai Government has taken strong measures to restructure the financial sector, injecting public money to help recapitalize weak financial institutions (through its financial institutions development fund) and auctioning the assets acquired through the liquidation of insolvent finance companies. The Government has also reformed the bankruptcy law and established a bankruptcy court to allow an orderly work-out of corporate debt.

10. In Indonesia, not much progress has been achieved in restructuring corporate debt, while the Government has successfully rescheduled its official debt with Paris Club creditors in September 1998. The Indonesian Government has provided full support to banks and corporations in their efforts to restructure their debt with external creditors. In June 1998, Indonesia reached an initial agreement with international banks (the Frankfurt agreement) to restructure corporate debt and banking sector debt. For bank debt, the refinancing of interbank credit into new loans with maturity from one to four years would benefit from a full dollar guarantee from the Bank of Indonesia. For corporate debt, the Indonesian Government created the Indonesian Debt Restructuring Agency (INDRA) to provide guarantees against exchange rate risk on renegotiated foreign currency debt. Companies are required to resume interest payments for participation in INDRA. At the same time, the Government introduced new bankruptcy rules in the context of the Jakarta initiative of September 1998. Towards the end of 1998, no agreement has been reached on corporate debt restructuring.

11. Of the countries in South Asia, Pakistan has encountered serious payments problems following the economic sanctions imposed on the country in the aftermath of nuclear tests in 1998. Investor confidence was shaken resulting in a massive reduction of asset holdings and large foreign currency withdrawals. Pakistan had to take a number of urgent measures to stabilize foreign exchange outflows, including the suspension of debt service payments to creditors. In January 1999, Pakistan rescheduled its official debt with the Paris Club.

C. Latin America

12. Latin American countries have been shaken by successive waves of crisis originating from East Asia and the Russian Federation. Most of these countries went through a period of recession towards the second half of 1998, as access to external finance was sharply cut and commodity prices declined. Debt indicators of the region in 1998 pointed to some degree of vulnerability, as the ratio of debt to exports exceeded 200 per cent, the debt service to exports ratio

exceeded 33 per cent (down from 35.5 per cent in 1997) and the ratio of short-term debt to reserves reached 77 per cent (the same level reached by East Asian countries in 1997, at the time of the Asian crisis).

13. Brazil felt strong market pressures, first in October 1997 in the wake of the Asian crisis, then towards the end of August 1998, after the Russian debt default, when massive foreign exchange outflows were stemmed by sharp increases in interest rates. Brazil suffered from a long-standing fiscal imbalance. The cumulative federal financing gap was met by domestic debt issuance. Despite the signing of a three-year stand-by agreement with IMF in November 1998, the Government was forced to float the real in January 1999. Brazil was also reported to have won an informal agreement from a group of foreign bank creditors to roll over their short-term credit to Brazil around the time that the support package was agreed. Brazil has not been cut off from international capital markets, and has successfully launched an international sovereign bond issue. The Brazilian banking system is relatively healthy since banks and other financial institutions have been reformed over the past few years. Although the Brazilian economy has shown a timid recovery in the first quarter of 1999, a consolidation of this recovery will much depend on the success of the Government to balance the budget in order to keep market confidence, and on further reductions of real interest rates.

14. The Brazilian crisis affected neighbouring countries to some extent since the depreciation of the real has reduced the export competitiveness of trade partners, especially within the Southern Cone Common Market (MERCOSUR), and external financial conditions have been further tightened. Independently of the Brazilian crisis, other countries are facing deep payments crisis. Poor countries, such as Honduras and Nicaragua, which are among the HIPCs, have been devastated by natural disasters. Ecuador was deeply affected by the decline in oil prices, and its external debt problems were compounded by a widespread banking sector crisis. The ratio of external debt to exports reached 280 per cent in 1998, and interest payments alone were estimated to take 18 per cent of exports. Ecuador is actively approaching both its external creditors within the Paris Club and holders of Brady bonds in order to find a solution to its debt-servicing problems.

D. Africa

15. In Africa, countries in sub-Saharan Africa continued to suffer from a high debt burden. Most of the HIPCs are in this region. In addition to their unresolved debt overhang problems, African countries have been affected by the continuous declines in commodity prices, which have added pressures on their fiscal positions. The debt indicators reflected the debt insolvency problems of these countries. Paid debt service was equivalent to nearly 15 per cent of exports, but only a fifth of scheduled debt service was paid, the rest representing accumulated arrears on interest and principal payments. The debt to exports ratio exceeded 230 per cent in 1998. The level of foreign exchange reserves was so low that despite the small amount of short-term debt, the ratio of short-term debt to reserves reached 212 per cent in 1998.

16. Countries in the Middle East and North Africa appeared to have a manageable debt level. Although payments arrears have also been accumulated, debt service was paid up to 65 per cent of scheduled debt service. The debt service ratio remained low, at an unchanged level of about 13 per cent in 1997 and 1998. The decline in oil prices during 1998 reduced export earnings, and consequently increased the debt to exports ratio to 137 per cent.

E. Countries in transition

17. The major debt crisis in the Russian Federation, epitomized by its unilateral debt moratorium in August 1998, has had widespread repercussions not only on its neighbouring countries in Eastern Europe but also on emerging markets in general through a resulting tightening of financial conditions on international capital markets. In the case of the Russian Federation, fiscal management has remained a central problem since the start of the transition to a market economy. The narrow tax base, characterized by a heavy reliance upon commodity exports (especially oil and gas) for tax revenue, has not generated sufficient tax revenue to meet expenditures. This imbalance has led to a large cumulative financing gap, which has been met through the issuance of domestic bonds by the Ministry of Finance (GKOs and OFZs). In the aftermath of the crisis in Asia, lower world prices for oil and other commodities negatively impacted the Russian Federation's export performance and fiscal balance. It became difficult to market rouble-denominated debt, so in 1998 the Government tapped the Eurobond market at increasingly high rates of interest. Higher interest rates due to monetary tightening under an IMF structural adjustment programme accentuated the domestic debt burden. By August 1998, the Government could not meet maturing domestic debt payments and announced a 90-day moratorium on payment of various debt obligations. The devaluation and default on domestic debt has devastated the already weak domestic

banking sector, which had invested heavily in government debt. In July 1999, the Russian Federation renegotiated with the Paris Club the Soviet-era debt, resulting in a postponement of service payments.

F. Heavily indebted poor countries

18. The debt overhang of the HIPCs is far from being lifted. As table 2 shows, the 41 countries which are included in the list of HIPCs (excluding Nigeria) had a total amount of debt equivalent to $201 billion at the end of 1997 (the latest year where detailed debt data are available at the country level). Of this amount, 28 per cent represented multilateral debt. The ratio of debt to exports, at 345 per cent, is the highest ever reached by any group of developing country debtor countries, as well as the level of arrears on interest and principal payments. HIPCs could service their debt for up to 15 per cent of their exports, as paid debt service was only equivalent to about 14 per cent of scheduled debt service (that is the sum of paid debt service and arrears on interest and principal payments). Even after several rounds of bilateral debt reschedulings with some degree of debt forgiveness, the amount of bilateral debt still remained high. For some countries, as shown in table 2, the Paris Club post-cut-off date debt, which in principle is not reschedulable, can represent an important part of their Paris Club debt. Recognizing that there is an urgent need to expedite the process of debt relief within the HIPC initiative, the international community has initiated a number of proposals aiming at making debt relief deeper and faster. These proposals have culminated in the Cologne initiative adopted by the G-7 countries in June 1999.

III. International debt strategies

19. During the period under review (July 1998 to July 1999), important initiatives were taken by the international community to bring changes in international debt strategies. Most noticeable are efforts to make the HIPC initiative more effective and efforts by the Paris Club creditors to involve the private sector (including bond holders) in a comparable treatment of developing countries' debt.

A. Paris Club debt reschedulings

20. The renegotiation of official bilateral debts takes place within the Paris Club framework, and for HIPC countries constitutes the first step in the HIPC process. Activities in the Paris Club in the second half of 1998 and the first half of 1999 were marked by continued restructuring of the debts of the poorest countries in the context of the HIPC initiative; the return of middle-income countries to reschedule their official bilateral debts; and special measures taken in support of countries affected by conflict or natural disaster. Since September 1997, the Russian Federation has participated in the Paris Club as a creditor. During the period under review, a total of 13 countries renegotiated their debts with their Paris Club creditors, nine of them obtaining concessional treatment with substantial write-down of obligations.

HIPCs

21. Seven HIPCs have restructured their debts as foreseen under the HIPC initiative. The total amount of debts restructured under these operations is estimated at $4.5 billion. Rwanda (in July 1998), the Central African Republic (in September 1998), and Honduras and Zambia (both in April 1999) obtained Naples terms, with a 67 per cent reduction of the flow of debt service falling due during three-year consolidation periods following new Enhanced Structural Adjustment Facility (ESAF) agreements with IMF. Having reached their HIPC completion points, Bolivia (in October 1998), Guyana (in June 1999) and Mozambique (in July 1999) also concluded new agreements with the Paris Club. Bolivia and Guyana, which had both previously, in 1996, obtained debt stock treatment on Naples terms involving a reduction of debts of 67 per cent, had a "topping up" to Lyon terms (that is, debts were further reduced to reach the equivalent of 80 per cent reduction allowed under Lyon terms). This topping-up treatment was applied to most but not all eligible debts, corresponding to the contribution in net present value of debt (NPV) dollar terms agreed by bilateral creditors at HIPC completion point.

22. Mozambique for its part had previously secured restructuring of scheduled debt service payments on Lyon terms, and now concluded a debt stock reduction agreement. For the first time, Paris Club creditors agreed to go beyond Lyon terms, according Mozambique a reduction of 90 per cent in NPV of the stock of eligible debt.

23. The Paris Club meetings with Guyana and Mozambique took place soon after the Cologne summit. In the light of the expected enhancement of the HIPC initiative, the creditor countries expressed their readiness to reconsider the situation of these countries with a view to providing additional relief if needed to achieve the revised targets of debt sustainability.

Countries rescheduling on non-concessional terms

24. From mid-1996 to mid-1998, middle-income countries were virtually absent from the Paris Club. However, the East Asian financial crisis has seriously affected the debt-servicing capacity of some middle-income debtor countries. Some of them which were thought to have graduated from debt reschedulings have since been obliged to seek new arrangements with their commercial as well as official bilateral creditors. Thus Indonesia — which had negotiated a debt settlement back in 1970 — met with the Group of Official Creditors of Indonesia in Paris in September 1998 to reschedule principal payments, following an Extended Fund Facility arrangement with IMF. Non-concessional debt was rescheduled over 11 years, including three years of grace, at market interest rates and a graduated repayment schedule. Official development assistance (ODA) debts were rescheduled over 20 years, including five years of grace. A special feature of the agreement for Indonesia was the “new money option” offered by one creditor, providing a substantial new financing package on the same terms as the rescheduling undertaken by other creditors. The agreement involved $4.2 billion of debts for a 20-month period through end-March 2000. The Paris Club creditors strongly reaffirmed their policy of comparable treatment of debt due to all external public and private creditors.

25. In January 1999, it was the turn of Pakistan, which had experienced a sharp deterioration in its balance-of-payments position in 1998. Pakistan had previously rescheduled its foreign debts in 1981. Although a low-income (but not an International Development Association (IDA)-only) country, Pakistan was extended terms for medium- and long-term rescheduling normally offered to lower middle-income countries. Non-concessional debt was rescheduled over 17.5 years, including three years of grace, at market interest rates and a graduated repayment schedule. ODA debts were rescheduled over 19.5 years, including 10 years of grace. The amounts of debt involved in this agreement were estimated at $3.3 billion for a two-year period through end-December 2000, Pakistan’s current arrangements with IMF ending in January 2001. The Paris Club creditors insisted again on the comparability of treatment of debt owed to private creditors, specifically urging the Government of Pakistan to seek from bond holders the reorganization of bonds.

26. Jordan for its part was expected to graduate from Paris Club rescheduling after its previous agreement in 1997. However, in the aftermath of the global crisis and a slowdown in regional economic activity, the economy progressed less favourably than foreseen and foreign exchange proceeds declined. In this context, Jordan elaborated a new economic programme and sought additional debt relief from the Paris Club in May 1999. The new agreement provides for rescheduling on basically the same terms as the previous one (in the 1999 agreement, total maturity of 18 years for non-concessional debts under a graduated payments schedule and 20 years for ODA debts). It concerns over $0.8 billion of debts falling due during a three-year consolidation period covered by Jordan’s extended arrangement with IMF.

27. The external position of some lower middle-income countries remains fragile and debt overhang problems of countries in this category may necessitate new debt relief arrangements. There have been no specific new initiatives in favour of middle-income debtor countries, apart from the proposal to increase the upper limits for debt swaps, put forward at the Cologne summit.

28. At the end of July 1999, the Russian Federation negotiated with the Paris Club a rescheduling of about $8 billion of arrears and payments falling due between July 1999 and December 2000 on the debts contracted by or guaranteed on behalf of the Government of the former USSR (it should be recalled that in April 1996, the Russian Federation concluded with the Paris Club an agreement which stipulated a stock treatment after April 1999 for the debt previously rescheduled in 1993, 1994 and 1995). Current maturities were rescheduled over a period of 20 years and a half and payments resulting from previously rescheduled debts over a period of 16 years and a half, in both cases including a grace period of two years and under graduated payments schedules. Some other payments on non-consolidated debt, including arrears on post-cut-off date debt contracted in 1991, were reprofiled over the medium term. Creditors also agreed to begin discussions on comprehensive solutions to Russian debt problems in autumn 2000, provided that the Russian Government continues to implement the IMF programme.

Specially affected countries

29. The Paris Club has also undertaken to provide support to countries affected by conflict and natural disasters. Thus, in October 1998 Bosnia and Herzegovina obtained a restructuring on Naples terms (67 per cent reduction) of its external debt service obligations resulting from debt incurred by former Yugoslavia. The agreement concerned debt service payments falling due during a 10-month period covered by the country’s stand-by arrangement with IMF, some $0.6 billion in all.

30. Following the great damage inflicted on Honduras and Nicaragua by hurricane Mitch, Paris Club creditors in December 1998 agreed to an exceptional deferral of all

payments falling due over a three-year period following the hurricane. Accordingly, the agreement concluded with Honduras in April 1999 contained provisions for deferral of payments, including arrears and payments, on post-cut-off date debt as well as payments on short-term debt and to *de minimis* creditors. Moratorium interest is to be capitalized at the end of the consolidation period. The 1998 agreement for Nicaragua was amended with similar provisions.

31. Paris Club creditors again in April 1999 decided to extend exceptional treatment to specially affected countries, in this case Albania and the former Yugoslav Republic of Macedonia, as it was agreed to defer their debt service payments falling due during the year beginning April 1999 up to the end of March 2000. The former Yugoslav Republic of Macedonia had already in 1995 rescheduled its external debt service obligations over a 15-year period, and Albania in July 1998 obtained a 50 per cent cancellation of its arrears to Paris Club creditors. Continuation of special arrangements for these two countries after the end of March 2000 will depend on how their financial situation develops.

B. Commercial debt buy-backs for IDA-only countries

32. Relief on official debts for the poorest countries has been complemented by buy-backs of private creditor debt undertaken since 1991 under the World Bank/IDA Debt Reduction Facility for IDA-only countries. The programme involves buying back commercial debt, primarily from banks, at substantial discount. To date, 18 operations have been carried out under this facility, all but one for HIPC countries. World Bank funding has amounted to $188 million, and leveraged an additional $178 million from bilateral donors in co-financing. Through these operations, $3.7 billion of principal and more than $2.7 billion of associated interest arrears have been extinguished. Recently, debt-for-development options enabling the participation of NGOs have also been included in the programme.

33. In July 1998, Guinea completed a debt buy-back agreement sponsored by the IDA Debt Reduction Facility, which allowed extinguishing a total of $130 million of commercial bank claims at a buy-back price of 13 cents per dollar of the principal debt. In October 1998, Guyana obtained an IDA grant for a second debt buy-back operation under this facility for the country, which is expected to lead to the cancellation of $56 million in outstanding commercial debt. In 1999, additional buy-backs were under preparation for four other HIPCs (Cameroon, Honduras, United Republic of Tanzania and Yemen), and several other countries in this category could also come under consideration for such operations in the future.[6]

C. Other commercial debt restructurings

34. Renegotiations of commercial bank debts are often facilitated by the fact that there is a relatively small number of institutions involved, both on the debtor and creditor sides. As mentioned earlier, the three Asian countries of Thailand, Indonesia and the Republic of Korea had reached agreements with their foreign creditor banks to refinance with a longer maturity the short-term debt incurred by domestic banks. In the cases of Indonesia and the Republic of Korea, the Government has guaranteed the new loans. In March 1998, short-term bank debt of the Republic of Korea totalling $24 billion was refinanced with maturities between one and three years, carrying interest rates between 2.25 and 2.75 per cent over LIBOR. In June 1998, $7 billion of the $9.2 billion of Indonesian interbank debt was refinanced with maturities between one to four years, at interest rates of 2.75, 3.00, 3.25 and 3.5 per cent over LIBOR. The foreign creditor banks also promised to maintain trade financing at the levels that existed at the end of April 1998.

35. The Russian Federation has also reached an outline of an agreement with its foreign bank creditors in November 1998 for a restructuring of nearly $17.2 billion of GKO/OFZ Government debts. The outline provided a rescheduling which would allow 10 per cent of the debts to be redeemed in rubles, 20 per cent to be restructured into three-year zero-coupon bonds, and 70 per cent to be exchanged for four- and five-year variable coupon bonds (set at 30 per cent for the first year, declining gradually to 10 per cent).

36. Brazil has also secured with its foreign creditor banks a voluntary rollover of interbank and trade-related credit lines.

D. Implementation of the HIPC initiative

37. By mid-1999, 12 countries had had their debt sustainability reviewed under the HIPC initiative (see A/53/373, paras. 27 and 28). Only one new country reached the decision point during the period under review (starting mid-1998), Mali, in September 1998. Three additional HIPCs attained the completion point, following Uganda, which had been the first country to do so in April 1998: Bolivia in September 1998, Guyana in May 1999 and Mozambique in June 1999. By mid-1999, three other countries had been found eligible for HIPC assistance and were waiting to complete the process (Burkina Faso and Côte d'Ivoire, in addition to Mali), while two had been assessed to have

sustainable debts (Benin and Senegal). Assessments of the debt sustainability analysis for Ethiopia, Guinea-Bissau and Mauritania had also been reviewed by IMF and World Bank boards, and these countries were judged on a preliminary basis to qualify for possible debt relief, but final decisions about the eligibility of these countries and the amount of debt relief to be provided were delayed.

38. Eligibility for HIPC assistance and debt relief requirements are measured by the net present value of debt in relation to exports or revenue. The NPV of debt-to-exports target had been set at about 200 per cent for all but one of the countries qualifying under the export criterion during this initial stage of the HIPC process. For the two countries qualifying under the fiscal criterion, Côte d'Ivoire and Guyana, the NPV of debt to revenue target was set at 280 per cent. The overall reduction in the NPV of external debt following total HIPC assistance (from multilateral as well as bilateral creditors) ranges from 63 per cent in the case of Mozambique to less than 10 per cent in the case of Côte d'Ivoire. For the other five countries which have qualified for assistance, the reduction is between 10 and 24 per cent of the NPV of debt.

39. Total debt relief committed by mid-1999 under the HIPC initiative for the four countries which have already reached completion point can be estimated at about \$5.5 billion in nominal terms. The bulk of this figure is accounted for by Mozambique, which was to receive an estimated \$3.7 billion of relief over time. The other six countries found eligible so far would together receive an additional \$3.7 billion in HIPC assistance. In nominal terms, HIPC costs are thus estimated to amount to some \$9.2 billion for the first 10 countries expected to qualify before possible revisions to the framework.

40. At the completion point, the ratios by which debt sustainability has been measured under the initial HIPC framework were well within the target ranges set at the decision point for the first two countries to complete the process. For Uganda, the actual NPV debt-to-export ratio was 196 per cent, as compared with triple that figure in the early 1990s and about 250 per cent before HIPC assistance. In the case of Bolivia, the debt relief agreed at the completion point was expected to bring down the actual NPV debt-to-export ratio to 218 per cent, compared with about 350 per cent in the early 1990s. With supplemental ODA relief to be granted by Japan, this ratio was calculated to be further lowered to 202 per cent. Both countries, however, are vulnerable to external developments, and the sustained achievement of these targets does not appear guaranteed. Uganda has suffered from a decline in coffee prices, while Bolivia remains exposed to shifts in world metal prices as well as adverse developments in the regional economy, its neighbouring countries being important trading partners.

41. In the case of Mozambique, although economic performance has remained strong, exports of goods and non-factor services were significantly lower in 1998 than had been projected at the decision point in April 1999 due, *inter alia*, to the marked fall in commodity prices. Meanwhile, there was an increase in the NPV of debt explained largely by a sharp decline in discount rates and the depreciation of the United States dollar against major currencies during 1998. As a result, the NPV of debt-to-exports ratio has turned out higher than expected and will fall outside the targeted range if HIPC assistance is limited to the amount committed at decision point. Accordingly, additional assistance has been sought from creditors to ensure that Mozambique reaches the agreed debt sustainability target. Additional debt service relief requirements have been estimated at \$600 million in nominal terms (new estimate for total relief \$3.7 billion). The World Bank and IMF have agreed to increase their contributions, and Paris Club creditors for their part have agreed to top up previous debt relief to 90 per cent of eligible debts, as referred to above.

42. The outcome of the HIPC process under the initial framework was less satisfactory for Guyana, the first country to qualify under the fiscal criterion at completion point, although it has also made substantial economic progress overall during this decade. The economy of Guyana suffered serious exogenous setbacks in 1997-1998, including a sharp reduction in commodity prices, weakened demand for exports and the adverse effect of El Niño-induced drought — which has been reflected in decline in government revenue, while currency depreciation increases the local currency cost of debt service. As a result, current HIPC assistance will not deliver the envisaged fiscal sustainability of debt, with the NPV of debt to revenue ratio estimated at 410 per cent at the completion point, well above the threshold ratio of 280 per cent. In such cases (where the debt-to-exports target is met but not the debt to revenue target), the initial HIPC framework did not foresee adjustments to ensure the achievement of both targets.

E. Cologne debt initiative for enhanced HIPC relief

43. Overall, the pace of implementation of the HIPC initiative over the first two years has been slow. This can be attributed to the complexity of the process itself and to financing constraints (see EC/ESA/99/2, sect. III). Against this background and the worsened external situation of the

HIPCs, the review process initiated by the Bretton Woods institutions has attracted proposals from non-governmental organizations, creditor Governments and international organizations, including the United Nations.

44. In June 1999, the G-7 Cologne summit made recommendations for the enhancement of the HIPC initiative, known as the Cologne debt initiative, aiming to make debt relief deeper and faster.

Deeper debt reduction

45. In terms of deeper debt reduction:

(a) The debt sustainability targets are reduced:

(i) For NPV debt to exports ratios, from 200-250 per cent to a unique ratio of 150 per cent;

(ii) For NPV debt to fiscal revenue ratio, from 280 per cent to 250 per cent. The two accompanying eligibility criteria have also been reduced: for the exports-to-GDP ratio, from 40 per cent to 30 per cent, and for the fiscal revenue-to-GDP ratio, from 20 per cent to 15 per cent;

(b) Paris Club debt reduction: deeper degree of debt cancellation of up to 90 per cent or more for the very poorest among eligible countries. For poor countries not qualifying under the HIPC initiative, the Paris Club could consider a unified 67 per cent reduction under the Naples terms, and for other debtor countries applying for non-concessional reschedulings, an increase on the limit of debt swaps would be agreed;

(c) For qualifying countries, forgiveness of bilateral ODA debt, through a menu of options, on top of the amounts required to achieve debt sustainability. New ODA should preferably be extended in the form of grants.

Faster debt relief

46. In terms of faster debt relief, the two three-year stages of implementation is maintained, although it is specified that the second phase can be shortened if a country meets ambitious policy targets early on ("floating completion points"). The international financial institutions (IFIs) can provide "interim relief" for qualifying countries, before completion point. After completion point, IFIs could frontload the provision of debt relief.

Financing

47. In terms of financing, in order to meet the increase in costs and in recognition of the importance of maintaining an adequate concessional lending capacity by IFIs, the G-7 Governments are prepared to support a number of mechanisms:

(a) IMF costs should be met by the use of premium interest income; possible use of reflows from the special contingency account or equivalent financing; cautiously phased sale of up to 10 million ounces of IMF gold reserves;

(b) The multilateral development banks should identify "innovative approaches" which maximize the use of their own resources;

(c) The costs to IFIs will also require bilateral contributions, and consideration will be given to an expanded HIPC trust fund;

(d) There should be an appropriate burden-sharing of costs among donors.

Link with poverty reduction

48. In terms of a link with poverty reduction, the new HIPC initiative should be built on an enhanced framework for poverty reduction. This is critical to ensure that more resources are invested in health, education and other social needs. The World Bank and IMF should help qualifying countries with the drafting and implementation of poverty reduction plans for the effective targeting of savings derived from debt relief, together with increased transparency of budgetary procedures to protect social expenditures.

49. In working out the modalities for implementation of the Cologne debt initiative, IMF and World Bank staff[7] suggest that the amount of debt relief should be determined at the decision point based on actual data. There would be a retroactive implementation since additional assistance resulting from any modification to the HIPC initiative should be available to all eligible countries, including those that have already reached their decision or completion points under the current framework. The enhanced HIPC initiative will expand eligibility from 29 countries to 36 countries,[8] and possibly to other countries.

50. Overall costs of the enhanced initiative are estimated at $36 billion in 1998 NPV terms (or roughly equivalent to $72 billion in nominal terms).[9] Added to this amount are ODA claims from the Organisation of Economic Cooperation and Development (OECD) countries on qualifying HIPCs of the amount estimated at $15 billion which can be cancelled. Non-OECD countries are also holding large ODA claims on HIPCs, perhaps of comparable size.

IV. International policy conclusions

A. HIPCs

51. The Cologne debt initiative clearly brings an appreciable improvement to the current HIPC framework by allowing a deeper debt relief through lower debt sustainability targets and larger debt reductions (notably Paris Club debt reduction of 90 per cent or more and ODA debt cancellation). In a report of the Executive Committee on Economic and Social Affairs of the United Nations, released in May 1999, a number of proposals (see box) have been made which go in the direction of the recommendations made by the Cologne debt initiative. In the light of the United Nations proposals, the points set out below are made as additional comments on the G-7 Cologne debt initiative.

United Nations proposals for an enhanced initiative on HIPV debt relief

- Review the list of HIPCs in order to ensure that all poor countries facing debt servicing difficulties will be considered under the initiative.

- Shorten the time-frame for implementation to three years so that final debt relief can be provided after the first track record of three years of ESAF programmes.

- Apply less restrictive eligibility criteria, notably by reducing the thresholds of debt to exports and debt service-to-exports ratios (be guided by the fact that over the recent period 1990-1997 HIPCs were able to service debt, on average, for up to 18 per cent of their exports and that their nominal debt stock, excluding payments arrears, was still equivalent to 300 per cent of exports). For certain countries facing very severe foreign exchange constraints, the thresholds could be lower than the general eligibility level. The aim should be to provide a real exit from debt rescheduling.

- Set a ceiling for the share of fiscal revenue allocated to external debt service, and provide additional debt reduction if necessary to meet this benchmark. Twenty-five per cent of fiscal revenue allocated to external debt service is an excessive burden for HIPCs.

- Cancel HIPCs ODA debts, and extend at least 80 per cent debt reduction on other official bilateral debt to all HIPCs; consider full cancellation of bilateral official debts for post-conflict countries, countries affected by serious natural disasters, and countries with very low social and human development indicators. Paris Club debt eligible for reduction should also include post-cut-off date debt.

- Full funding of the initiative through partial sales of IMF gold, a new general allocation of special drawing rights (SDRs) and additional bilateral contributions to multilateral trust funds for debt relief.

- Take steps to reverse the current trend of declining ODA, and budget new aid funds for social and human development projects and poverty reduction, and adopt procedures to release resources for HIPC relief without impinging on regular ODA budgets: debt relief should not be given at the expense of ODA.

- Linkage between debt relief and poverty reduction, with debtor countries determining their own national priorities. In this respect, increase collaboration with NGOs and the private sector to raise funds for debt relief and development projects in HIPCs.

Sustainability criteria

52. The ultimate objective of the HIPC initiative is to provide a clear exit from an unsustainable debt burden. In this respect, the debt sustainability targets should realistically reflect the capacity to pay of these countries. HIPC debt relief should seek in the first instance to remove whatever is the binding constraint, be it scarcity of foreign exchange or lack of budgetary resources. The new fiscal target still appears to be high. To begin with, the additional two criteria on exports to GDP and fiscal revenue to GDP ratios could be dropped (see EC/ESA/99/2). In the final analysis, benchmarks on debt service ratios, debt service to exports and debt service to fiscal revenue could reflect better the debt servicing capacity of debtor countries. In this respect, the fiscal criterion could be set at a level below 25 per cent of debt service to fiscal revenue,[10] given the competing claims for the financing of infrastructure, social and human development.

Financing

53. The most important point about the financing of the HIPC initiative is that debt relief for the poorest countries should not be provided at the expense of ODA funding for development programmes and projects in these and other countries, which are also dependent on aid for their welfare and development prospects. The financial standing of multilateral development banks and their ability to provide support to all member countries also needs to be safeguarded.

54. It is, thus, essential that debt relief be financed by resources that are additional to budgetary ODA allocations. Additionality may also be obtained by IMF gold sales and SDR allocations. A case can be made for a new general allocation of SDRs in the present context of global deflation and liquidity crisis in developing countries and countries in transition. Besides HIPCs, middle-income debtor countries also need additional liquidity for economic recovery. Creditor countries could cede their SDR allocations as donations to those countries in need of debt relief.

55. Concerning IMF gold sales, which in passing would solve the funding problem of IMF only, these sales can have an impact on gold prices since these prices continue their declining trends and the central banks of some industrialized countries are also planning to sell off their gold reserves.

Linkage with poverty reduction programmes and social and human development

56. In addition to enhancing HIPCs external viability, reducing fiscal pressure and creating room for transferring resources to social expenditures should also be a key concern under the HIPC initiative. There is merit in establishing a link between debt relief and poverty reduction, and in channelling resources freed up from debt service to finance social and human development projects. However, any such link should not take the form of additional conditionality imposed on the debtor countries; even “benign conditionalities” in this respect could have the effect of further slowing down the HIPC process. Social policies and expenditures are already being monitored under ESAF programmes, and debtor countries have to show satisfactory progress on social sector reform before decisions on delivery of HIPC assistance are made. Further actions and initiatives linking debt relief and poverty reduction should perhaps be left to the initiative of debtor countries themselves in order to ensure that such actions are demand-driven and correspond to national priorities, and are well coordinated at the recipient level.

57. The effectiveness of such linkage will also depend on how it is going to be made. If it is through debt conversions or through local currency debt swaps, attention should be given to the related high inflationary risks for HIPCs (see EC/ESA/99/2), especially if the primary reason for the inability to service external debt is a budgetary constraint. Furthermore, given the existence of high levels of payments arrears, the conversion of scheduled debt service into budgetary expenditures for social and human development will put insurmountable budgetary pressure on debtor

countries. It is, therefore, likely that debt relief should be complemented by new aid flows to provide full funding of social expenditures.

58. Local currency swaps would entail other difficulties for the debtor. The operations are often demanding in terms of administrative resources, and close coordination with creditor countries is needed to manage local currency counterpart funds. Both creditors and debtors might incur substantial costs of planning and monitoring debt swap programmes. It is necessary to coordinate the operations among creditor countries and to establish a multilaterally coordinated debt swap mechanism, but at the initiative of the debtor country. Donor agencies should assist debtor countries in developing national strategies and projects for social and human development.

B. Middle-income countries

59. In the case of middle-income countries, the worsening situation of some lower middle-income countries might result in cases of insolvency, whereby the incapacity of the debtor to pay in full his debt obligations is not due to temporary shortfall of his revenues but result from a more structural problem of raising enough revenue in the long term to service his debt. Problems of insolvency cannot be tackled simply by rescheduling debt but may require a reduction of debt obligations to match the long-term capacity of the debtor to raise revenue. In the cases of lower middle-income countries which, despite good policies, are facing insolvency problems because of structural bottlenecks or external shocks, some degree of debt relief might be necessary. In the framework of the Paris Club, for example, some relief to these countries is provided only through debt conversions. However, sometimes these conversions are cumbersome and cannot be implemented expeditiously.[11] In these circumstances, outright debt reductions could perhaps be helpful.

60. The question of an orderly debt work-out mechanism for commercial debt is still open. In this respect, the previous report of the Secretary-General (A/53/378) discussed the merits of an intensification of the IMF policy of lending into arrears and the inclusion of clauses for collective representation and qualified majority in bond contracts. The G-7 summit communiqué at Cologne has also proposed the application of those measures. It is, therefore, time to find ways to put these proposals into concrete actions.

Notes

[1] Scheduled debt service is defined here as the sum of paid debt service and arrears on interest and principal payments. Information on debt service and arrears is given by the Debtor Reporting System of the World Bank

[2] Africa comprises Sub-saharan Africa and North Africa.

[3] See, for example, International Monetary Fund (IMF), *World Economic Outlook*, May 1999; and J. P. Morgan, *World Financial Markets* (July 1999).

[4] Malaysia had to operate a dramatic change in its current account which showed a deficit equivalent to 5.3 per cent of GDP in 1997 and a surplus of 16.9 per cent of GDP in 1998. The Republic of Korea turned a deficit of 1.7 per cent of GDP in 1997 into a surplus of 12.6 per cent of GDP in 1998, following by Thailand (deficit of 2 per cent of GDP in 1997 and surplus of 12.3 per cent of GDP in 1998), Indonesia (deficit of 2.1 per cent of GDP in 1997 and surplus of 4.6 per cent of GDP in 1998) and the Philippines (deficit of 5.3 per cent of GDP in 1997 and surplus of 2 per cent of GDP in 1998).

[5] See J. P. Morgan, *World Financial Markets* (July 1999).

[6] See World Bank, *Development News*, 28 June-2 July 1999; and World Bank, *Global Development Finance 1999*, appendix 2.

[7] See IMF and World Bank: “Modifications to the HIPC initiative”, 23 July 1999.

[8] Within the existing list of 41 HIPCs, the seven additional eligible countries are: Benin, Senegal, Ghana, Honduras, Lao People’s Democratic Republic, Togo, Cenral African Republic. IMF and World Bank staff estimate that under the enhanced HIPC framework: (a) nine countries are eligible for immediate reassessment: Benin, Bolivia, Burkina Faso, Côte d’Ivoire, Guyana, Mali, Mozambique, Senegal, Uganda; (b) 19 countries will have their decision points in 1999 and 2000: Cameroon, Chad, Republic of Congo, Ethiopia, Ghana, Guinea, Guinea-Bissau, Honduras, Lao People’s Democratic Republic, Madagascar, Malawi, Mauritania, Nicaragua, Niger, Rwanda, Sierra Leone, Togo, United Repubic of Tanzania, Zambia; (c) eight countries will have their decision points in 2001 or later: Central African Republic, Burundi, Democratic Republic of Congo, Liberia, Myanmar, Sao Tomé and Principe, Somalia, Sudan.

[9] The present value of debt is normally lower than the nominal value of debt; as a rule of thumb, the present value could be equivalent to half the nominal value.

[10] Analysis of available information on the budget revenues and expenditures of some HIPCs shows that for those countries which have a high level of fiscal revenue (i.e. ratios of fiscal revenue to GDP close to 20 per cent), the ratios of (paid) service on extenal debt-to-fiscal revenue are hovering around 25 per cent. For countries whose capacity to raise fiscal revenue is very low, the ratios of external debt service-to-fiscal revenue are very high.

[11] See UNCTAD: *The Conversion of Paris Club Debt: Procedures and Potential*, forthcoming.

Table 1

External debt of developing countries

(Billions of United States dollars)

	All developing countries		*Sub-saharan Africa*		*Middle East and North Africa*		*Latin America and Caribbean*		*East Asia and Pacific*		*South Asia*		*Europe and Central Asia*	
	1997	*1998*	*1997*	*1998*	*1997*	*1998*	*1997*	*1998*	*1997*	*1998*	*1997*	*1998*	*1997*	*1998*
Total debt stocks	2 316.60	2 465.07	219.44	225.75	193.41	205.81	703.67	735.81	654.55	697.80	154.95	164.54	390.58	435.37
Long-term debt	1 782.80	1 957.45	171.07	175.96	149.32	160.88	558.92	586.12	449.73	538.73	143.94	152.47	309.82	343.30
Public and publicly guaranteed	1 420.06	1 637.08	163.27	168.50	145.21	154.05	399.95	424.40	310.41	452.63	132.31	140.65	268.91	296.85
Private and non guaranteed	362.74	320.37	7.80	7.45	4.11	6.83	158.97	161.72	139.32	86.10	11.63	11.82	40.92	46.45
Short-term debt	463.00	412.16	40.98	42.40	41.22	41.65	126.19	127.11	186.83	127.70	8.22	9.62	59.56	63.68
Arrears	115.81	121.01	56.38	56.25	10.97	10.97	16.74	16.74	11.34	11.34	0.33	0.33	20.05	25.39
Interest arrears	32.14	33.14	18.34	18.30	2.25	2.25	4.25	4.25	1.79	1.79	0.12	0.12	5.40	6.43
Principal arrears	83.67	87.87	38.04	37.95	8.72	8.72	12.49	12.49	9.55	9.55	0.21	0.21	14.65	18.95
Debt service	305.28	296.75	13.93	14.49	24.71	20.22	130.86	122.82	77.94	77.97	16.29	14.65	41.59	45.70
Debt indicators (percentage)														
Debt service/exports of goods and services	17.00	17.60	12.80	14.90	13.20	13.50	35.50	33.80	11.30	12.00	20.30	17.90	11.50	13.30
Total debt/exports of goods and services	129.00	146.20	201.70	232.10	103.30	137.40	190.90	202.50	94.90	107.40	193.10	201.00	108.00	126.70
Debt stock/GNP	34.91	37.34	68.05	68.29	27.38	28.56	35.85	36.89	34.49	39.97	26.25	27.60	33.80	35.88
Short-term/reserves	71.17	58.95	225.64	212.38	50.84	51.05	72.89	76.98	76.92	43.30	23.49	26.19	59.37	63.15

Source: World Bank, *Global Development Finance, 1999*.

Table 2

Debt and debt service of the heavily indebted poor countries, 1997

	Debt stock (millions of US$)				*Debt service (millions of US$)*		*Debt indicators (percentage)*				
Country name	*Total debt stocks*	*Total long-term*	*Bilateral*	*Multilateral*	*Total debt service paid*	*Arrears on interest and principal payments*	*Debt service paid/ exports of goods and services*	*Debt service paid in per cent of total debt service (including arrears)*	*Total debt stocks/ exports of goods and services*	*Net present value of debt/ exports of goods and services*	*Paris Club debt: post-cut-off date debt in per cent of total (estimated) (percentage)*
Angola	10 159.80	8 884.80	2 657.60	233.50	841.40	1 853.80	15.90	31.22	191.40	181.00	...
Benin	1 624.30	1 393.30	518.70	871.20	54.90	79.20	9.10	40.94	268.90	149.00	0.00
Bolivia	5 247.50	4 569.90	1 420.80	2 681.30	475.20	40.10	32.50	92.2	358.50	252.00	40.00
Burkina Faso	1 297.10	1 138.80	132.10	1 002.90	51.70	29.80	11.80	63.44	295.50	237.00	0.00
Burundi	1 065.50	1 022.10	149.20	872.20	29.10	35.50	29.00	45.05	1 062.30	554.00	...
Cameroon	9 292.90	7 885.60	5 644.00	1 464.50	513.00	675.30	20.40	43.17	368.70	345.00	97[a]
Central African Republic	885.30	803.70	183.40	606.70	13.30	142.00	6.10	8.56	410.10	246.00	0.00
Chad	1 026.50	939.00	173.30	748.80	35.20	37.00	12.50	48.75	364.80	190.00	...
Congo	5 070.80	4 283.80	2 832.40	619.30	112.30	1 599.80	6.20	6.56	280.90	286.00	...
Côte d'Ivoire	15 608.60	12 497.60	4 604.70	3 301.20	1 359.70	235.10	27.40	85.26	314.60	305.00	39.00
Democratic Republic of the Congo	12 329.60	8 616.80	5 604.10	2 179.00	12.50	7 595.70	0.90	0.16	845.70	682.00	...
Equatorial Guinea	283.20	208.60	100.50	93.70	5.90	128.40	1.40	4.39	65.70	95.00	...
Ethiopia	10 078.50	9 426.50	6 613.20	2 459.40	99.00	5 298.10	9.50	1.83	962.90	927.00	4.00
Ghana	5 982.00	4 958.20	1 075.20	3 179.30	505.60	27.30	29.50	94.88	349.40	230.00	...
Guinea	3 520.40	3 008.40	1 379.60	1 556.90	160.80	566.50	21.50	22.11	469.70	331.00	21.00
Guinea-Bissau	921.30	838.40	450.60	386.90	9.70	219.40	17.30	4.23	1 645.20	1 769.00	...
Guyana	1 610.60	1 345.00	623.40	665.60	133.30	181.40	17.60	42.36	212.50	143.00	8[b]
Honduras	4 697.80	4 169.70	1 367.90	2 303.00	505.30	189.90	20.90	72.68	194.00	181.00	...
Kenya	6 485.80	5 432.90	1 859.70	2 785.30	647.80	109.30	21.50	85.56	214.90	162.00	...
Lao People's Democratic Republic	2 319.90	2 246.80	1 430.70	816.10	27.70	1.70	6.50	94.22	540.80	218.00	...
Liberia	2 011.60	1 061.20	464.60	404.80	0.20	1 552.30	..	0.01	..		...
Madagascar	4 104.70	3 871.20	2 165.60	1 660.80	212.00	750.30	27.00	22.03	522.20	369.00	20[a]
Malawi	2 206.00	2 073.00	260.70	1 791.30	77.60	28.20	12.40	73.35	351.30	217.00	...
Mali	2 945.10	2 686.80	1 233.60	1 453.20	77.90	581.50	10.50	11.81	395.40	220.00	35.00
Mauritania	2 453.20	2 036.90	1 075.20	938.00	113.60	279.10	25.60	28.93	553.80	358.00	20.00
Mozambique	5 990.60	5 475.00	3 785.80	1 625.70	104.40	1 394.60	18.60	6.96	1 066.00	708.00	11[a]
Myanmar	5 074.10	4 639.90	3 017.10	1 171.00	116.10	1 739.50	8.00	6.26	350.40	310.00	...
Nicaragua	5 677.40	4 818.70	2 854.30	1 570.80	325.90	1 458.20	31.70	18.27	552.30	510.00	20.00
Niger	1 579.10	1 426.80	450.30	880.60	60.60	96.50	19.50	38.57	509.40	309.00	...

	Debt stock (millions of US$)				Debt service (millions of US$)		Debt indicators (percentage)				
Country name	*Total debt stocks*	*Total long-term*	*Bilateral*	*Multilateral*	*Total debt service paid*	*Arrears on interest and principal payments*	*Debt service paid/ exports of goods and services*	*Debt service paid in per cent of total debt service (including arrears)*	*Total debt stocks/ exports of goods and services*	*Net present value of debt/ exports of goods and services*	*Paris Club debt: post-cut-off date debt in per cent of total (estimated) (percentage)*
Rwanda	1 110.90	993.60	142.40	849.90	22.00	96.80	13.30	18.52	673.30	523.00	0.00
Sao Tome and Principe	260.70	226.80	71.00	155.80	6.60	22.10	52.20	23.00	2 052.40	1 306.00	...
Senegal	3 670.60	3 165.30	1 296.60	1 802.80	247.20	12.70	15.30	95.11	226.60	147.00	33.00
Sierra Leone	1 148.70	893.00	393.00	493.60	19.70	22.50	21.10	46.68	1 235.20	619.00	...
Somalia	2 561.30	1 852.50	1 095.10	723.00	0.00	1 713.40	..	0.00	..		...
Sudan	16 326.10	9 494.20	5 520.70	2 000.70	57.50	12 944.80	5.10	0.44	1 459.80	1 423.00	...
Togo	1 339.00	1 207.40	490.80	716.60	54.60	4.70	8.10	92.07	198.00	125.00	...
Uganda	3 707.90	3 202.10	726.90	2 399.40	191.00	248.50	22.10	43.46	429.60	269.00	43.00
United Republic of Tanzania	7 177.10	6 094.30	2 866.30	2 939.40	161.20	1 794.90	13.00	8.24	576.50	403.00	1.00
Viet Nam	21 629.30	18 838.80	13 274.30	827.50	906.90	8 746.90	7.80	9.39	186.10	200.00	...
Yemen	3 856.30	3 418.20	1 191.00	1 390.00	97.90	684.60	2.60	12.51	103.60	79.00	...
Zambia	6 757.80	5 245.70	2 863.80	2 226.70	267.80	948.00	19.90	22.03	501.30	389.00	...
Total	**201 094.90**	**166 391.30**	**84 060.20**	**56 848.40**	**8 714.10**	**54 165.40**	**14.97**	**13.86**	**345.44**		
Memorandum											
Nigeria	28 455.10	22 926.20	12 998.00	4 013.40	1 415.80	15 110.50	7.79	8.57	156.59	164.00	

Source: World Bank, *Global Development Finance, 1999*; IMF, country economic memorandum.

[a] Post-cut-off debt service in per cent of total Paris Club debt service; information on debt stock is not available.

[b] All pre-cut-off date Paris Club debt is non-concessional, all post-cut-off date Paris Club debt is concessional.