WORLD DEBT TABLES 1991–92

External Debt of Developing Countries

Volume 1. Analysis and Summary Tables

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Volume 1. Analysis and Summary Tables

The World Bank
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WORLD DEBT TABLES 1991–92

External Debt of Developing Countries

Preface

World Debt Tables 1991–92 consists of two volumes. Volume 1 contains analysis and commentary on recent developments in international lending to developing countries, together with summary debt data tables for 114 countries, for selected regions, and for other analytical groups. Volume 2 contains statistical tables showing the external debt of the 114 countries that report public and publicly guaranteed debt under the World Bank's Debtor Reporting System (DRS). There are seven countries reporting their long–term debt for the first time: Angola, Bulgaria, Czechoslovakia, Dominica, Islamic Republic of Iran, St. Kitts and Nevis, and St. Lucia. Cyprus, which graduated from the regional group that was covered last year, is reinstated because its per capita income has decreased. Yemen Arab Republic and the People's Democratic Republic of Yemen united to form the Republic of Yemen in 1990. The 107 countries covered in last year's volume showed the debt as of end–1989 for the two former republics separately.

For the reader's convenience, the charts on pages ix to xi present graphically, in simplified form the relation between the debt stock and its components; the computation of net flows, aggregate net resource flows, and aggregate net transfers; and the relation between net resource flows and the balance of payments. Exact definitions of these and other terms used in the *World Debt Tables* are found in the section "Sources and Definitions."

In accordance with the continuing efforts to respond to the changing needs of the users and improve the quality, accesibility, and timeliness of the data series, several new features have again been introduced this year. Export credits are shown as a memorandum item in section 1, Summary Debt Data. They include official export credits, other official flows (which may include refinancing of guaranteed export credits), suppliers' credits, and bank credits officially guaranteed or insured by an export credit agency. Both long–term and short–term export credits are included here. This information is based on the Creditor Reporting System (CRS) of the Organisation for Economic Co–operation and Development (OECD).

In section 2, Aggregate Net Resource Flows and Net Transfers, grants for technical assistance is shown as a memorandum item under data for official grants excluding technical assistance. This information is also based on the CRS of the OECD. To help users arrive at net transfers, interest payments on long–term debt and profit remittances on foreign direct investment are made available in this section.

The block on country debt restructuring, section 7, has been expanded to reflect how much of the principal and interest rescheduled in the particular year pertained to official creditors and how much to private creditors.

Section 8 provides five graphs of debt indicators. A line chart shows aggregate net resource flows from 1981–91, three bar charts show changes in the composition of debt stock, debt service, and the source of change in total debt in 1990, and a pie chart showing the currency composition of public and publicly guaranteed debt at end–1990.

Projections on existing pipeline of long–term debt have been deleted to accommodate the innovation introduced this year within a four–page format.

A caveat is also necessary. The economic aggregates presented in the tables are prepared for the convenience of users; their inclusion is not an endorsement of their value for economic analysis. Although debt indicators can give useful information about developments in debt–servicing capacity, conclusions drawn from them will not be valid unless accompanied by careful economic evaluation. The macroeconomic information provided is from standard sources, but many series, especially for African countries, are incomplete; thus it may be convenient or necessary to substitute other data series for those used here.

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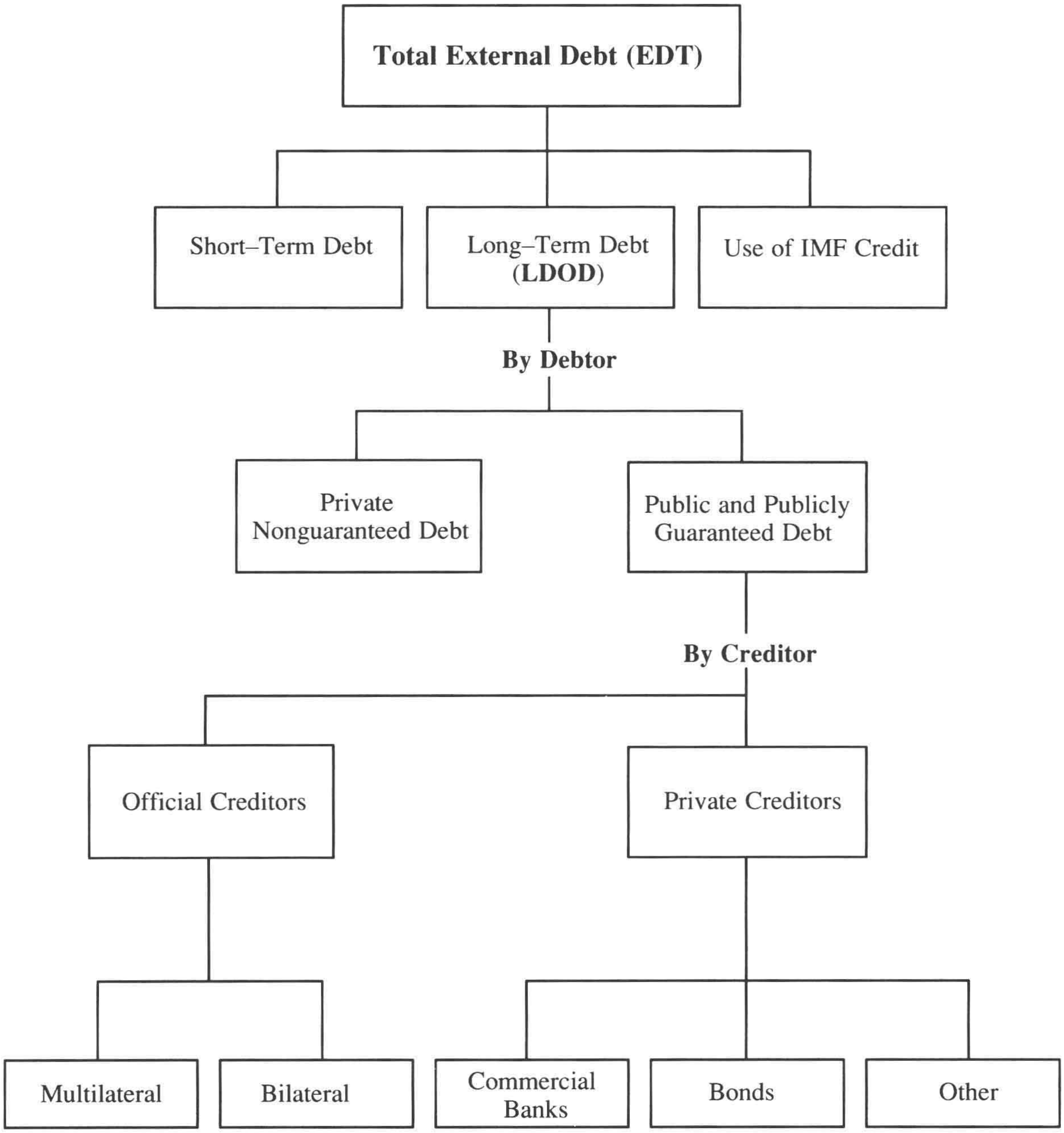
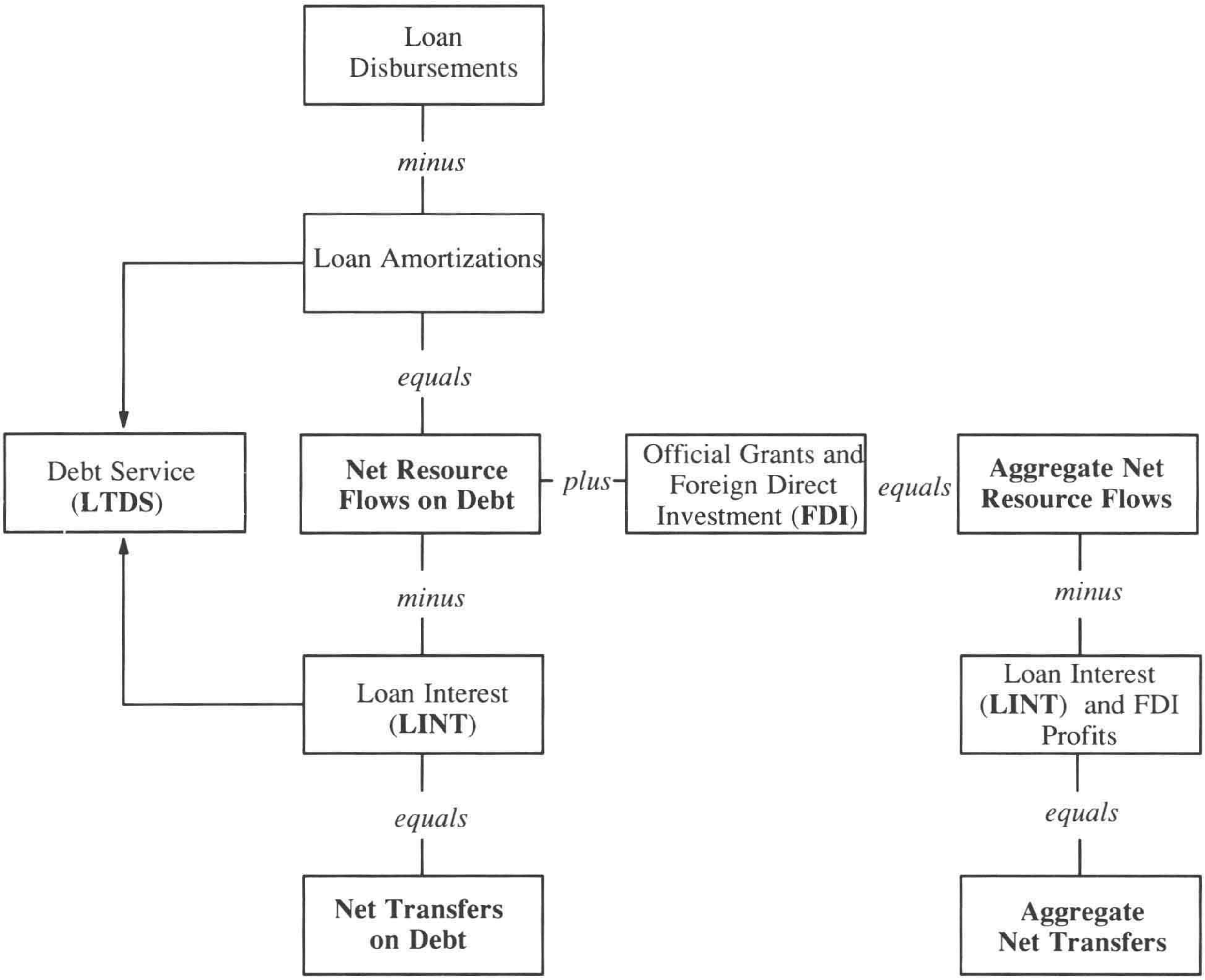
Acronyms and Abbreviations

BIS	Bank for International Settlements
CABEI	Central American Bank for Economic Integration
CMEA	Council for Mutual Economic Assistance
CRS	Credit Reporting System (of the OECD)
DAC	Development Assistance Committee (of the OECD)
DDSR	Debt and debt service reduction
DRS	Debtor Reporting System (of the World Bank)
EBRD	European Bank for Reconstruction and Development
EC	European Communities
ESAF	Enhanced Structural Adjustment Facility (of the IMF)
FDI	Foreign direct investemnt
FLIRB	Front loaded interest reduction bond
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GNP	Gross national product
G–7	Group of Seven
G–24	Group of Twenty–four
IBCA	International Banking and Credit Analysis
IBRD	International Bank for Reconstruction and Development/World Bank
IDA	International Development Association (of the World Bank)
IECDI	Debt and International Finance Division of the International Economics Department of the World Bank
IMF	International Monetary Fund
LIBOR	London interbank offered rate
MILIC	Moderately indebted low–income country
MIMIC	Moderately indebted middle–income country
MYRA	Multiyear rescheduling agreement
NIE	Newly industrialized economy
NPV	Net Present Value
ODA	Official development assistance
OECD	Organisation for Economic Co–operation and Development
OPEC	Organization of Petroleum–Exporting Countries
PV	Present Value
RXD	Revised external debt
SAF	Structural Adjustment Facility (of the IMF)
SDR	Special drawing rights (of the IMF)
SILIC	Severely indebted low–income country
SIMIC	Severely indebted middle–income country
SPA	Special Program of Assistance (of the World Bank for Sub–Saharan Africa)
USAID	United States Agency for International Development
UNCTAD	United Nations Conference on Trade and Development

Debt Stock and Its Components



Aggregate Net Resource Flows (Long–Term) and Net Transfers to Developing Countries



Notes: Includes only loans with an original maturity of more than one year (long–term loans).
Excludes IMF transactions.

Aggregate Net Resource Flows (Long–Term) and the Balance of Payments

	Credits	Debits
Current Account	Exports of Goods and Nonfactor Services	Imports of Goods and Nonfactor Services
	Export of Factor Services	Import of Factor Services
	Private Unrequited Transfers (by nonresidents)	Private Unrequited Transfers (by residents)
	Emmigrant Remittances	
	Private Grants	
	Official Unrequited Transfers (by foreign governments)	Official Unrequited Transfers (by national government)
Capital Account	Foreign Direct Investment (by nonresidents) (disinvestment shown as negative)	Foreign Direct Investment (by residents) (disinvestment shown as negative)
	Portfolio Investment (by nonresidents) (amortizations shown as negative)	Portfolio Investment (abroad by residents) (amortizations shown as negative)
	Other Long–Term Capital Inflows (by non–residents) (amortizations shown as negative)	Other Long–Term Capital Outflow (by residents) (amortizations shown as negative)
	Short–Term Capital Inflow	Short–Term Capital Outflow
Reserve Account	Net Changes in Reserves	

Aggregate Net Resource Flows

Net Resource Flows on Debt (Long–Term)

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Part I.

The Era of Debt Retrenchment

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Summary

On the whole, the debt burden of developing countries is not projected to show much change in 1991, despite an unfavorable external environment. Debt stocks are projected to be static and debt indicators to show only small changes from their 1990 levels. Aggregate net resource flows are projected to rise in nominal terms, but to fall slightly in real terms in 1991 and to show a continuation of the trend toward a high share of official sources in debt financing, as well as a shift from debt– to equity–based flows in several countries. The great bulk of the estimated US$85 billion of net flows to the developing countries in 1991 is accounted for by official nonconcessional loans, official development assistance, and foreign direct investment or other equity flows.

Underlying this aggregate picture are important differences across regions and country groups. In particular, the debt burdens of a large number of the poorer countries remain unsustainably high. Resolving problems on their (largely official) debt and restoring normal relations between them and their creditors will require further action on the part of creditors and donors. An important step in this regard was the call by the Group of Seven (G–7) summit in July 1991 for additional debt relief (beyond the Toronto terms) for the poorest countries. Implementation of the so–called Trinidad terms (granting two–thirds debt reduction) would result in a realistic prospect for many, but not all, of these countries to return to external viability. For the lower–middle–income countries, the most important development in 1991 was the decision by the Paris Club to offer exceptional debt relief, of up to 50 percent in present value terms, to two countries: Egypt and Poland. The July 1991 G–7 summit noted the Paris Club's continued examination of the special situation of other lower–middle–income countries with similar debt and economic circumstances.

The debt and creditworthiness problems of middle–income countries have undergone two important developments in 1990 and 1991. First, following the Brady Initiative, five countries have now completed debt reduction operations, which have resulted in a total effective reduction of about US$20 billion—or a quarter—of their commercial bank debt. In addition, in 1991, Nigeria (using its own resources) and the Philippines (undertaking phase II of its debt reduction program) reached preliminary agreement on similar deals with their commercial creditors. Brazil has negotiated a partial agreement covering arrears. Second, a small but important group of heavily indebted middle–income countries have renewed their access to private capital markets in the wake of successful debt reduction operations. Their experience suggests that a major benefit of debt reduction is to restore investor confidence, especially among domestic residents, and that a prerequisite for success is a sustained program of macroeconomic stabilization and structural reform.

Debt Burdens Static in a Stagnant Global Economy

Growth of output in developing countries has been weak in 1990 and 1991 and, in per capita terms, the worst for many years.[1] In 1990 aggregate gross domestic product (GDP) growth slowed to 1.9 percent from 3.2 percent in 1989 and in per capita terms was slightly negative. In 1991 it is projected to have been similar at 1.8 percent and again slightly negative in per capita terms. At the same time, growth in world trade has slowed very sharply during 1990 and 1991, and developing countries' terms of trade have generally worsened, resulting in poor export performance. Sluggish export growth has had an adverse effect on debt indicators.

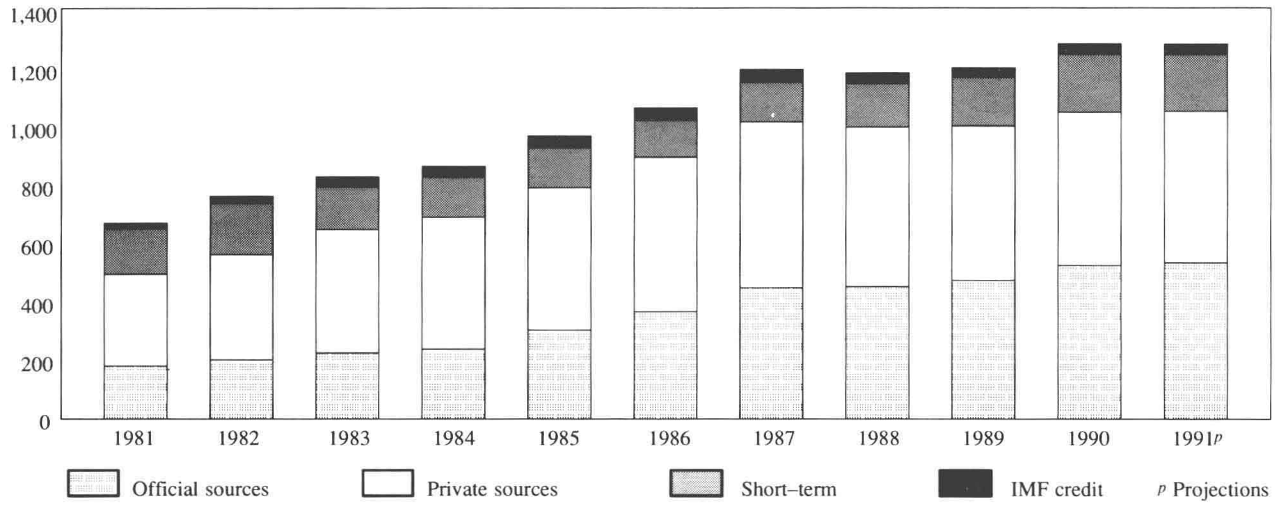
Debt stocks at end–1991 are projected to be US$1,281 billion, unchanged from their level a year earlier (Figure A). The absence of change is the result of net lending flows (including flows on short–term debt) of US$38 billion being fully offset by the effects of debt conversion, debt relief, and clearance of arrears, as well as exchange rate valuation changes. Debt reduction in total contributed –US$22 billion to debt stocks and exchange rate adjustments –US$24 billion (reflecting a rising US dollar), and the contribution from a net decrease in interest arrears was nearly offset by an increase in rescheduled interest. Overall, aggregate debt stock indicators for developing countries in 1991 are projected to be mixed, with the debt–to–exports ratio unchanged at 176 percent in 1991, compared with 1990; the debt–to–gross national product (GNP) ratio lower at 38 percent, compared with 42 percent in 1990; and the debt service–to–exports ratio higher at 21 percent, compared with 20 percent in 1990.

---

1 References to developing countries cover those classified as low– or middle–income. Low–income countries are those in which 1990 GNP per capita was no more than US$610, and middle–income countries are those in which GNP per capita was more than US$610 and less than US$7,620. But figures on debt stocks and financial flows refer only to countries reporting to the World Bank's Debtor Reporting System, unless otherwise qualified. In addition, all figures on growth, debt, and flows exclude the Soviet Union unless specifically otherwise stated, for reasons of lack of data availability.

Growth in aggregate debt has leveled off since 1987.

Figure A. External Debt, 1981–91
(US$ billions)



Debt stocks have been reduced by debt relief, in particular the Paris Club arrangements for Egypt and Poland; bilateral official debt for these two countries is projected to have fallen by US$13 billion at end 1991. A second factor reducing debt stocks is the projected cash payment of interest arrears, in particular by Brazil and Nigeria. Third, substantial amounts of external debt have been extinguished through debt–equity swaps, most notably by Argentina, which eliminated US$7 billion face value of debt (including arrears) through its privatization of telephone and airline companies (ENTel and Aerolineas Argentinas).

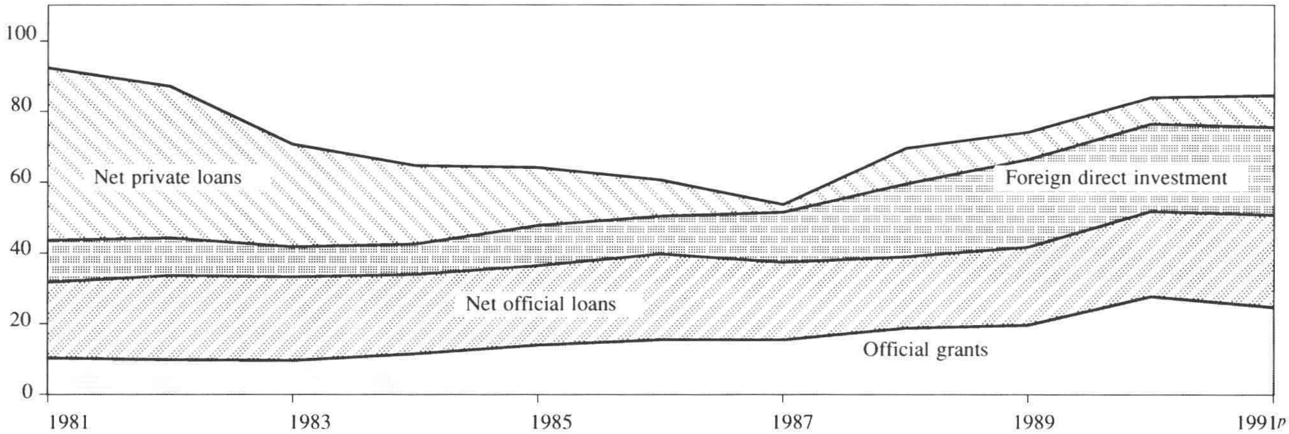
The aggregate figures, however, do not fairly characterize the regional differences. In East Asia, a projected rise in debt stocks, reflecting good market access, has been balanced by strong export performance, so that both the debt–to–exports and debt service–to–exports indicators have declined slightly. But in Sub–Saharan Africa, a projected rise in debt stocks, reflecting interest rescheduling and new official loans, and weak export performance have increased already heavy debt burdens. For instance, the debt service–to–exports ratio is projected to increase to 21 percent in 1991, compared with 19 percent a year earlier. In Latin America, projected debt stocks have fallen slightly in 1991, while debt service is projected to rise, and hence debt service indicators have been mixed: the debt–to–GNP ratio at 37 percent is lower than the 41 percent of a year earlier, whereas the debt service–to–exports ratio rose significantly to 30 percent from 25 percent in the preceding year. And in Europe, a large fall in exports from Eastern Europe, only partly offset by official debt relief, has increased the debt service–to–exports ratio from 16 to 18 percent.

In 1991 aggregate net resource flows are projected to rise in nominal terms to US$84.9 billion, compared with US$81.5 billion in 1990, but to fall in real terms. The projected change in 1991 over a year earlier represented a 4 percent increase in nominal terms and a 1 percent decrease in real terms (Figure B). Flows in 1991 are projected to show a continuation of the trends of recent years, namely a high official share, and the major part of private flows accounted for by foreign direct investment (FDI) and portfolio flows. The official share in net flows, defined as the share of official development finance comprising official loans and grants, stood at 60 percent in 1991, the same as in 1990 and higher than in 1989. Aggregate FDI fell slightly to US$24.7 billion from US$25.2 billion in 1990 but was still higher than in 1989. Figure C shows net resource flows by region. The main features of projected net flows by region are large rises (in 1991 over 1990) to North Africa and the Middle East and to South Asia and a continuance of the trend toward nondebt flows in Latin America.

While the traditional concentration of FDI in a handful of East Asian countries continued, there was a sharp increase by a projected US$1.6 billion in FDI flows to Latin America in 1991. Between them, East Asia and Latin America are projected to account for 82 percent of aggregate 1991 FDI flows to developing countries. By contrast, flows to Europe are projected to be small, a mere US$1.8 billion in

Real flows remain well above their low point in 1987.

Figure B. Real Aggregate Net Resource Flows (Long–term) to Developing Countries, 1981–91
(US$ billions)



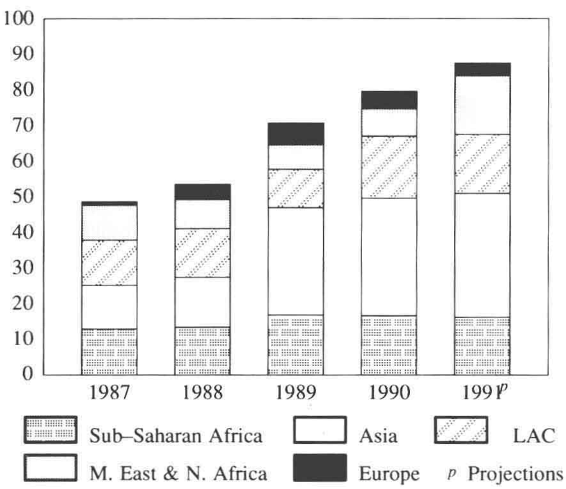
p Projections

1991, although significant commitments of FDI have been reported.

Aggregate net transfers equal aggregate net resource flows less the cost of servicing external liabilities, that is, less interest on debt and profit remittances on FDI. Thus, they are a measure of the cash flow supplied to a country by nonresidents. Because net transfers include the interest paid on debt but exclude the output generated by the corresponding investment, they are an incomplete account of the benefits of a capital inflow and need to be interpreted with care (as discussed further in Box 1.3 on Aggregate Net Flows and Net Transfers in Chapter 1). Moreover, to the extent positive net transfers are the result of debt instruments on commercial terms, as distinguished from grants or FDI, they add to the stock of debt, which may not be always appropriate in severely indebted countries. Aggregate net transfers are projected to decrease to US$11.5 billion in 1991 from US$16.0 billion in 1990, mainly as a result of an increase of US$3.7 billion in actual interest payments made by Latin American countries in 1991.

Growth in flows has varied significantly by region.

Figure C. Net Resource Flows by Region, 1987–91
(US$ billions)

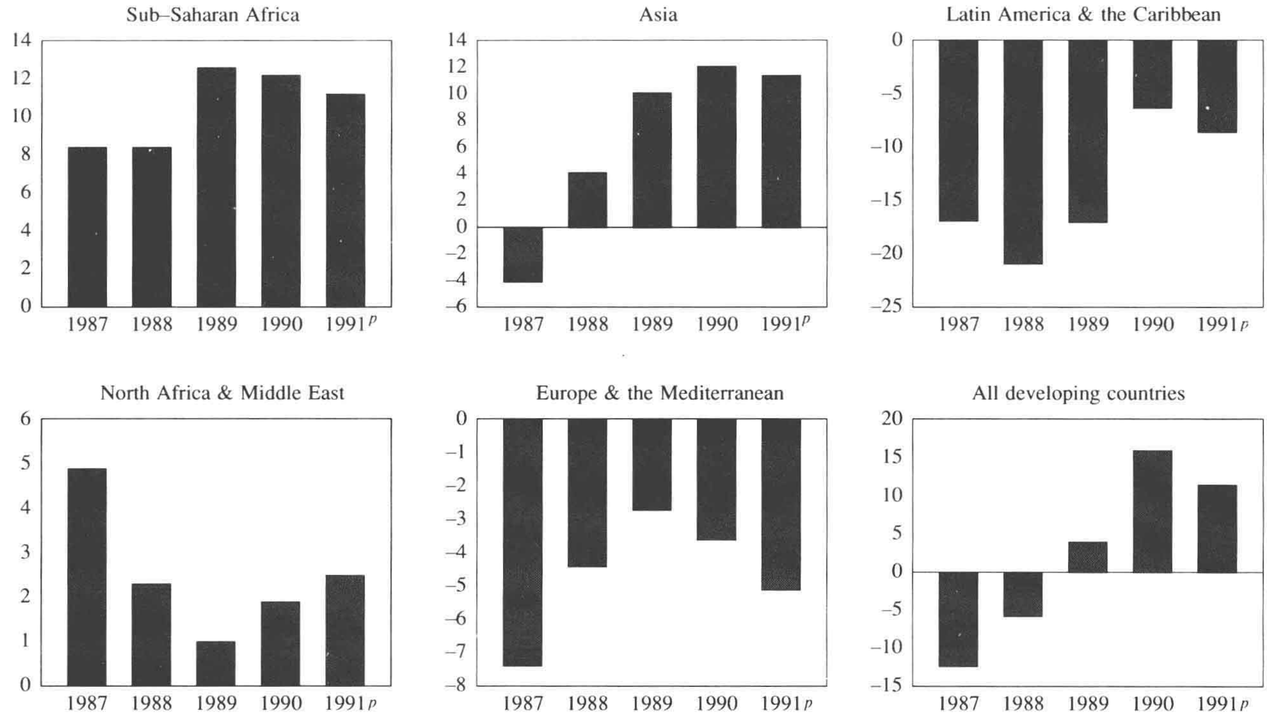


The regional pattern of net transfers became more differentiated in 1991 (Figure D). In Latin America a net outflow of US$6.3 billion in 1990 is projected to grow to a more negative US$8.6 billion in 1991, reflecting higher interest payments because of cash payments toward the clearance of arrears. In North Africa and the Middle East, net transfers are projected to increase to US$2.5 billion in 1991, from US$1.9 billion in 1990, reflecting external borrowing and other financing (largely grants) after the Gulf crisis. In Europe, net transfers are projected to grow significantly more negative in 1991, at –US$5.1 billion compared with –US$3.6 billion in 1990, reflecting a substantial fall in FDI. Net transfers are projected to continue to be strongly positive to East and South Asia (US$5.6 billion and US$5.8 billion, respectively, in 1991) and to Sub–Saharan Africa (US$11.2 billion in 1991), reflecting strong official flows on concessional terms.

The negotiated settlement in 1991 of arrears owed by Brazil, Egypt, Nigeria, and Poland suggests that debtors and creditors alike have come to recognize the harm done by

Net transfers are strongly positive to some regions, strongly negative to others.

Figure D. Net Transfers to Developing Countries by Region, 1987–91
(US$ billions)



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uncertainty, which undermines investor confidence and encourages capital flight.

Poorer Countries See Prospects for Greater Official Debt Relief

The static level of aggregate debt stocks conceals a differentiation in which severely indebted low–income countries have been experiencing a rising trend of debt stocks and little or no improvement in debt ratios for the past several years. A similar picture has been true for severely indebted lower–middle–income countries. For both groups, the rising debt stock has represented a welcome flow of official external support, including debt service rescheduling; but, for both groups, the issue has arisen as to whether some countries can service existing debt burdens on a sustainable basis.

Official support for adjustment programs in low–income countries has been progressively strengthened in recent years through the provision of both new money and debt relief. Concessional new money has been provided to low–income countries in a variety of ways, much of it from International Development Association (IDA) credits and under the auspices of the Special Program of Assistance (SPA), coordinated by the World Bank, to debt–distressed countries in Sub–Saharan Africa. In 1991, IDA disbursements to 24 SPA–eligible countries are projected to total US$1.3 billion, and SPA disbursements for cofinancing and coordinated financing of IDA–supported adjustment programs are expected to reach US$1.9 billion. In addition, the International Monetary Fund (IMF) is projected to supply financing to these countries of US$0.6 billion under the SAF (structural adjustment facility) and the ESAF (extended structural adjustment facility). For lower–middle–income countries, likewise, there has been substantial support from the official sector, mainly through concessional loans and export credits.

Debt relief has been provided to low–income countries mainly through cancellation of official development assistance (ODA) debt stocks and also through rescheduling. In 1990, the latest year for which comprehensive figures are available, ODA cancellation for low–income countries amounted to US$4.7 billion and for middle–income countries to US$1.2 billion; the total of US$5.9 billion was accounted for almost entirely by countries in Sub–Saharan Africa and was equivalent to about 18 percent of their end–1990 bilateral ODA debt. Concessional rescheduling for low–income countries was introduced in 1988 by the Paris Club with the so–called Toronto terms (which introduced the possibility of debt relief, but only on debt service falling due in the immediate future). Between October 1988 and June 1991, 20 countries rescheduled US$6 billion of debt under Toronto terms. The impact of these reschedulings on a present value basis, compared with standard Paris Club reschedulings, has been to reduce scheduled debt service by nearly US$1 billion; the near–term cash flow impact, however, has been more modest.

Debt relief for lower–middle–income countries, before the arrangements made for Egypt and Poland in Spring 1991, had taken the form of extended rescheduling terms (the so–called Houston terms) introduced at the Paris Club in September 1990. Under these terms, ODA debt is rescheduled with a final maturity of 20 years and a grace period of up to 10 years, and nonconcessional debt with a final maturity of up to 15 years and a grace period of up to 8 years. In addition, provision may be made on a bilateral basis for debt conversions. To the end of October 1991, eight countries had been accorded these terms: Congo, El Salvador, Honduras, Jamaica, Morocco, Nigeria, Peru, and the Philippines.

Progressively greater debt relief has been granted by the official sector because external viability has remained elusive. By external viability is meant the capacity to meet external financial obligations without recourse to rescheduling, concerted lending, or debt reduction, while achieving satisfactory growth. By these standards, it is evident that severely indebted low– and lower–middle–income countries have not been able to attain viability, despite pursuit of adjustment programs in many cases. An indication of the inability of some countries to service their debt is given by the ratio of actual debt service to scheduled debt service for severely indebted low–income countries that have recently rescheduled, which is projected to be about 50 percent in 1991. An underlying cause of these debt–servicing difficulties, besides low per capita income, has been structural weaknesses, including poorly diversified exports, low levels of education and health, and high rates of population growth.

In a significant departure from previous practices for middle–income countries, the Paris Club extended 50 percent debt forgiveness to two lower–middle–income countries, Poland and Egypt, in April and May 1991, respectively. The restructurings, which together covered US$58 billion of both ODA and nonconcessional debt, effected cumulative debt reduction phased over three years and conditional upon an IMF program being in place. The goal of the Paris Club in these agreements—which appears to be feasible—is to provide debt reduction sufficient to attain external viability, without the need for further reschedulings. However, these agreements recognize that realizing this objective will require some corresponding action by Poland's commercial bank creditors.

Further official recognition of the need for additional debt relief on a case–by–case basis came at the London G–7 summit in July 1991, which urged the Paris Club to promptly implement additional debt relief measures (beyond Toronto terms) for low–income countries and signalled its desire for further progress on some lower–middle–income countries by noting the Paris Club's continued examination of their special situation. A case–by–case approach has been emphasized because of the wide variation in official bilateral debt burdens and should help to overcome obstacles to prompt implementation, such as creditor budget constraints.

If these steps were to lead to the Paris Club's adoption of an expanded menu of more concessional debt relief options, there could be realistic prospects for putting the debt burdens of many low– and lower–middle–income countries on a sustainable basis (although extraordinary measures will still be required for a few countries, as indicated below). Official debt relief does not in itself directly address problems of stabilization and structural reform and cannot substitute for them, but indirectly it contributes to the reform process through support of adjustment programs.

For low–income countries, an indication of the scale that additional debt relief might take was furnished by the Trinidad terms, proposed in September 1990 by then British Chancellor of the Exchequer John Major, which would effect a once–for–all reduction in the debt stock with the amount determined case–by–case around a benchmark of two thirds debt reduction. Figure E illustrates the effect of applying these terms to low–income countries that are severely indebted; the benchmark of two thirds debt reduction is used for illustrative purposes. The figure also shows the impact of Toronto terms and the current terms, before rescheduling. It must be emphasized that what the figure shows is the repeated application of Toronto terms over 10 years. Thus, Figure E tends to overstate the benefit of Toronto terms because uncertainty surrounding expected future reschedulings tends to undermine present investor confidence. By contrast, Trinidad terms restructure the entire eligible debt stock at one time. The Trinidad terms shown cover only the restructuring of debt not previously rescheduled under Toronto terms or contracted after the cutoff date. The impact of a more extensive application of Trinidad terms in restructuring bilateral official debt is given in Chapter 2. Because most of the debt in most of these countries is on concessional terms, the figure shows the debt burden in terms of the ratio of the net present value of all

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