

The Debt Sustainability Framework for Low-Income Countries

Bergljot Bjørnson Barkbu, Christian Beddies, and Marie-Hélène Le Manchec

Contents

c

	ace	V
Аьь	reviations	vi
I	Overview	I
11	What Is Debt Sustainability and Why Does It Matter? The Economics of Public and External Debt The Analytical Underpinnings of Debt Sustainability Analysis	2 2 3
ш	The Low-Income Country Debt Sustainability Framework	6
	The IMF's General Approach to Debt Sustainability What Makes Low-Income Countries Different? What Is the Low-Income Country Debt Sustainability Framework? Challenges	6 6 8 12
IV	The Use of the Debt Sustainability Framework by Borrowers and Lenders	16
	The Debt Sustainability Framework and Information Sharing The Debt Sustainability Framework and Its Use by Borrowers The Debt Sustainability Framework and Its Use by Donors and Lenders	16 16 17
v	Concluding Remarks	22
	Concluding Remarks endixes	22
	-	22 23 26
Арр	endixes I. Glossary of Questions and Answers	23
Арр	endixes I. Glossary of Questions and Answers II. How to Conduct a Debt Sustainability Analysis: The Case of Haiti rences	23 26

4.2. The Debt Sustainability Framework and the International Development	
Association's "Traffic Light" System	20
4.3. Export Credit Agencies and Sustainable Lending Practices	21
A1. Macroeconomic Assumptions for the Low-Income Country Debt	
Sustainability Analysis	28
A2. The Impact of PetroCaribe on Debt Sustainability	34
Figures	
3.1. Export Structure, 2005	7
3.2. Kaufman Index on Governance	7
3.3. External Debt, 2000–06	7 8 8
3.4. Composition of External Debt, 2000–06	8
3.5. Present Value of Debt-to-GDP Ratio	13
3.6. Present Value of Debt-to-Revenue Ratio	14
3.7. Present Value of Debt-to-GDP Ratio	14
A1. Haiti: Indicators of Public and Publicly Guaranteed External Debt	31
A2. Haiti: Indicators of Public Debt Under Alternative Scenarios	37
A3. Haiti: Public External Debt Indicators Compared to 2006 Debt	
Sustainability Analysis	39
Tables	
2.1. Commonly Used Indicators in Debt Sustainability Analyses	4
3.1. Debt-Burden Thresholds Under the Debt Sustainability Framework	11
A1. Haiti: Long-Term Macroeconomic Assumptions, 2007–27	27
A2. Haiti: External Debt Sustainability Framework, Baseline	
Scenario, 2007–27	29
A3. Haiti: Sensitivity Analysis for Key Indicators of Public and Publicly	
Guaranteed External Debt, 2008–27	32
A4. Haiti: Public Sector Debt Sustainability Framework, Baseline	
Scenario, 2005–27	35

A5. Haiti: Sensitivity Analysis for Key Indicators of Public Debt, 2008–27 38

The following conventions are used in this publication:

- In tables, a blank cell indicates "not applicable," ellipsis points (. . .) indicate "not available," and 0 or 0.0 indicates "zero" or "negligible." Minor discrepancies between sums of constituent figures and totals are due to rounding.
- An en dash (-) between years or months (for example, 2007–08 or January–June) indicates the years or months covered, including the beginning and ending years or months; a slash or virgule (/) between years or months (for example, 2007/08) indicates a fiscal or financial year, as does the abbreviation FY (for example, FY2008).
- "Billion" means a thousand million; "trillion" means a thousand billion.
- "Basis points" refer to hundredths of 1 percentage point (for example, 25 basis points are equivalent to ¼ of 1 percentage point).

As used in this publication, the term "country" does not in all cases refer to a territorial entity that is a state as understood by international law and practice. As used here, the term also covers some territorial entities that are not states but for which statistical data are maintained on a separate and independent basis.