Foreword

The external debt service payments on public and publicly guaranteed debt by the world's poorest countries are expected to surge by 35 percent from 2021 to over US$62 billion in 2022. Debt service payments take away scarce fiscal resources from health, education, social assistance, and infrastructure investment. Payments scheduled for 2023 and 2024 are likely to remain elevated because of high interest rates, maturing principal, and the compounding of interest on Debt Service Suspension Initiative deferrals. The increased liquidity pressures in poor countries go hand in hand with solvency challenges, causing a debt overhang that is unsustainable for dozens of countries. Nearly 60 percent of countries subject to the Joint World Bank–International Monetary Fund Debt Sustainability Framework for Low-Income Countries are at high risk of debt distress or already experiencing it.

In 2021, the debt stock of low- and middle-income countries rose by 5.6 percent to US$9 trillion, of which International Development Association (IDA) countries owe nearly US$1 trillion. Although on average countries' public and publicly guaranteed external debt as a share of gross national income returned to prepandemic levels, such was not the case for IDA countries; in those countries, ratios of debt to gross national income remained well above their levels before the pandemic. With the 2022 growth outlook cut in half, interest rates much higher, and many currencies depreciating, the burden of debt is likely to increase further.

As debt has grown in recent years, its composition has also changed rapidly. Low- and middle-income economies have become increasingly indebted to private creditors, especially bondholders. At the end of 2021, 61 percent of the US$3.6 trillion in long-term public and publicly guaranteed external debt stock was owed to private creditors—up from 46 percent in 2010. In IDA-eligible countries, the share owed to private creditors rose from 5 percent in 2010 to 21 percent in 2021.

The composition of debt owed by IDA countries to official bilateral creditors has also changed significantly. The proportion owed to Paris Club creditors fell to 32 percent at the end of 2021 (US$64.2 billion), down from 58 percent (US$48.9 billion) at the end of 2010. Meanwhile, the amount owed to non–Paris Club creditors (China, India, Saudi Arabia, the United Arab Emirates, and others) increased to 68 percent (US$138.3 billion) in 2021 from 42 percent (US$35.3 billion) in 2010. Among the non–Paris Club creditors, China's share of official bilateral debt stock grew from 18 percent in 2010 to 49 percent in 2021. This growth is also reflected in the increase of debt service flows to China, estimated at US$17 billion in 2022 and accounting for 66 percent of official bilateral debt service.

Increases in the size of debt and debt payments underscore the need to create a more effective debt reduction process for low- and middle-income countries in debt distress. Given the changes in debt composition, creating such a process has become challenging and requires cooperation from all major creditors. The growth of debt also underscores the need for greater debt transparency. The World Bank is actively engaged in discussions at various international forums to design solutions for addressing unsustainable debt in developing countries.

For more than four decades, the World Bank has been a leader in disseminating information on the external debt of low- and middle-income countries. Our database constitutes the most comprehensive publicly available source of cross-country comparable data on external debt for those countries. Much remains to be done on transparency, but we are making significant progress. Over the past five years, we have added US$631 billion in previously unreported loan commitments to the database. In the past three years, we have released 569 new debt indicators, constituting a significant increase in instrument and creditor coverage as well as in specificity.

This year, we are rebranding our annual *International Debt Statistics* publication with a new name—*International Debt Report*. This change reflects the report's new and substantive analyses on debt issues and improvements in its coverage to close data gaps. The report offers a crucial base of information for shaping debt-related policies and programs.

Raising the bar on debt transparency means supporting borrowers' efforts to implement reforms to build such systems. Greater transparency will improve incentives for the implementation of policies that strengthen debt and fiscal sustainability and promote debt transparency. We are also working with national debt offices to enhance debt reporting and advocating for further disclosure by debtors and creditors alike.

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