# 1. Analysis of External Debt Stock and Debt Flows as of End-2024

## Trends in External Debt, 2014–24

In 2024, low- and middle-income countries (LMICs) rebalanced their debt portfolios, shifting from new external financing to borrowing in domestic markets, and selectively issuing bonds in order to navigate tight global financial conditions and enhance fiscal resilience. Some countries used liability management operations, and a few restructured their debts. This approach significantly slowed these countries' accumulation of external debt, which increased only marginally by 1.1 percent, to US$8.9 trillion—about US$101 billion above the 2023 level (table 1.1).

**Table 1.1 External Debt Stock of Low- and Middle-Income Countries, 2014–24**

*US$ (billion)*

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Debt stock | 6,273.0 | 5,874.7 | 6,094.5 | 6,855.4 | 7,345.0 | 7,726.2 | 8,147.3 | 8,794.2 | 8,680.5 | 8,836.3 | 8,937.0 |
| Long-term | 4,252.6 | 4,346.0 | 4,613.7 | 5,048.6 | 5,320.2 | 5,679.8 | 6,088.1 | 6,535.6 | 6,422.7 | 6,501.0 | 6,542.6 |
| Official creditors | 1,000.8 | 1,018.7 | 1,076.5 | 1,178.2 | 1,249.2 | 1,314.3 | 1,481.6 | 1,682.2 | 1,714.8 | 1,812.1 | 1,834.1 |
| Bilateral creditors | 368.4 | 366.7 | 394.0 | 432.8 | 453.7 | 462.2 | 493.1 | 489.2 | 480.5 | 492.9 | 475.2 |
| Multilateral creditors | 632.4 | 652.0 | 682.4 | 745.4 | 795.5 | 852.1 | 988.6 | 1,193.0 | 1,234.3 | 1,319.1 | 1,358.9 |
| World Bank (IBRD and IDA) | 268.6 | 278.0 | 288.6 | 311.7 | 321.3 | 339.5 | 375.2 | 387.5 | 405.0 | 435.7 | 463.1 |
| IMF (Use of credit and SDR allocations) | 97.7 | 100.5 | 103.8 | 114.5 | 142.0 | 162.2 | 214.6 | 386.4 | 380.5 | 380.9 | 371.6 |
| Private creditors | 3,251.8 | 3,327.3 | 3,537.3 | 3,870.3 | 4,071.0 | 4,365.5 | 4,606.5 | 4,853.4 | 4,707.9 | 4,689.0 | 4,708.5 |
| Bonds | 1,205.2 | 1,230.6 | 1,343.7 | 1,634.9 | 1,752.6 | 1,971.4 | 2,192.5 | 2,375.1 | 2,237.8 | 2,154.0 | 2,175.1 |
| Banks and other private | 2,046.6 | 2,096.7 | 2,193.5 | 2,235.4 | 2,318.4 | 2,394.1 | 2,414.0 | 2,478.2 | 2,470.1 | 2,534.9 | 2,533.4 |
| Short-term | 2,020.4 | 1,528.7 | 1,480.7 | 1,806.8 | 2,024.8 | 2,046.4 | 2,059.1 | 2,258.6 | 2,257.8 | 2,335.3 | 2,394.4 |
| *Memorandum item* | | | | | | | | | | | |
| Long-term PPG | 2,130.8 | 2,184.4 | 2,346.0 | 2,652.9 | 2,883.1 | 3,100.6 | 3,392.0 | 3,787.3 | 3,763.2 | 3,852.1 | 3,931.2 |
| Long-term PNG | 2,121.9 | 2,161.6 | 2,267.8 | 2,395.6 | 2,437.1 | 2,579.3 | 2,696.2 | 2,748.3 | 2,659.5 | 2,648.9 | 2,611.4 |

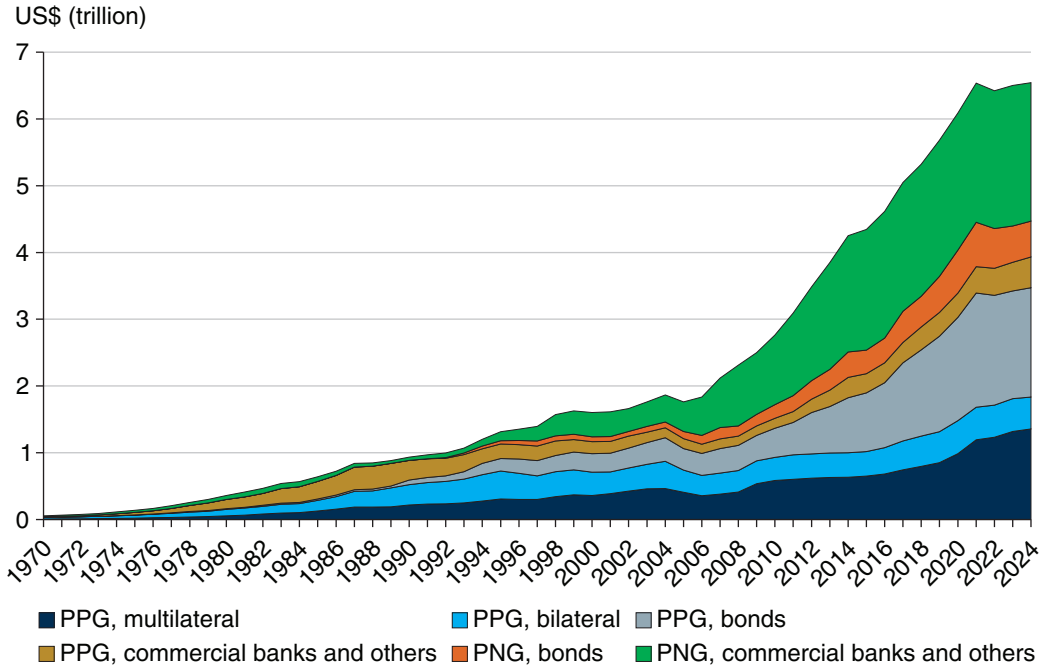
*Sources:* World Bank International Debt Statistics database; International Monetary Fund; Bank for International Settlements.
*Note:* IBRD = International Bank for Reconstruction and Development; IDA = International Development Association; IMF = International Monetary Fund; PNG = private nonguaranteed; PPG = public and publicly guaranteed; SDR = special drawing right.

Some LMICs opted to restructure or renegotiate their existing debt in a strategic effort to reduce elevated debt levels. By doing so, these governments attempted to ease fiscal pressures and improve long-term sustainability. New borrowing from commercial banks declined primarily because of unfavorable market conditions: elevated global interest rates in the wake of the global pandemic had increased the cost of securing new loans, rendering commercial financing less attractive. In addition, tighter lending standards and heightened risk aversion among banks further limited access to this source of funding. Notably, LMIC governments increased their reliance on domestic borrowing in 2024 to fill critical financing needs, also in lieu of additional external financing. This shift reflects both short- and long-term factors. In the short term, governments affected by heightened vulnerability concerns reflected a countercyclical adjustment and a more cautious approach to additional borrowing from external sources in a period characterized by persistently elevated interest rates, high debt levels, weak credit ratings, and rising trade uncertainties. The shift also allows for greater control over debt terms and mitigates exposure to foreign exchange risk. In the long term, the substitution of domestic for external borrowing also indicates that the gradual development of domestic capital markets—a long-time goal for the World Bank—is allowing many LMICs to identify and tap internal sources for their financing needs.

Despite the broader shift from external borrowing, many LMICs continued to issue new bonds in international markets in 2024 because of several compelling advantages, including the lower cost (that is, lower interest rates than provided by other private creditors) of bonds compared to other sources of external financing; the longer maturities of bonds that help reduce rollover risk and improve debt sustainability; the larger financing volumes provided by bond issuances, which can provide access to substantial capital to support budgetary needs and development programs; and the rollover potential of bonds that offers refinancing flexibility in managing debt portfolios. The ability of LMICs to resume bond issuance in 2024 at an accelerating pace was a welcome development, as many countries were locked out of global bond markets just a few years ago.

Growth in the total external debt stock slowed in 2024 to 1.1 percent, reaching US$8.9 trillion, after more than doubling the 2010 level. Short-term debt was the fastest-growing component, increasing 2.5 percent in 2024, to US$2.4 trillion. Long-term debt remained steady at US$6.5 trillion, but with an important change in composition. A decade ago (2014) the stock of long-term debt was almost evenly divided between public and publicly guaranteed (PPG) and private nonguaranteed (PNG) debt (figure 1.1). Over the past 10 years, however, the share of long-term debt held by the PPG sector has been on an upward trajectory and reached 60 percent (US$3.9 trillion) in 2024; by contrast, that of the PNG sector has decreased to 40 percent (US$2.6 trillion). The shift was a consequence

**Figure 1.1 Creditor Composition of Long-Term External Debt Stock in Low- and Middle-Income Countries, 1970–2024**




*Source:* World Bank International Debt Statistics database.
*Note:* PNG = private nonguaranteed; PPG = public and publicly guaranteed.

of governments stepping in to finance development projects and public services in the aftermath of the COVID-19 pandemic, as borrowing by the private sector declined because of diminished growth prospects and uncertainty. Additionally, as interest rates increased in 2022 following a decade of persistently low rates, investor preferences shifted to safer government debt over private sector lending.

Viewed from the creditor perspective, the composition of long-term debt outstanding varied widely in 2024 and has evolved significantly over the past decade. Public debt owed to multilateral creditors, an important source of concessional financing for LMICs, increased 3.0 percent in 2024, to US$1.4 trillion. Multilateral creditors notably increased their support for LMICs during the COVID-19 pandemic, and they have continued to provide support to these nations as they face limited fiscal space, higher borrowing costs, and fewer sources of financing in the aftermath of the global crisis. This support has become more crucial as funding from private creditors remains steady, whereas support from official bilateral creditors decreased 3.6 percent, to US$475.2 billion, in 2024. Over the past decade, the share of outstanding debt owed to bilateral creditors has decreased 5.2 percentage points, to 12.1 percent in 2024; by contrast, that of multilateral creditors has increased 4.9 percentage

points to 34.6 percent. The World Bank accounted for US$463.1 billion, or 34.1 percent, of multilateral debt stock, followed by the International Monetary Fund (IMF) at US$371.6 billion, or 27.3 percent. The notable reduction of debt obligations to official bilateral creditors resulted from a combination of a slowdown in new financing provided by these creditors and the implementation of debt restructuring agreements and forgiveness operations.

In 2024, outstanding debt owed to private creditors remained steady at US$4.7 trillion and accounted for a 72 percent share of long-term debt stock. Over the past decade, the combined share of long-term PPG and PNG debt stock held by private creditors has been on a declining trend, falling 4.5 percentage points since 2014. After decreasing two years in a row, LMICs' PPG debt owed to private creditors resumed an upward trajectory in 2024, increasing 2.8 percent to US$2.1 trillion. The 2024 PPG private debt stock increase was driven by a 1.6 percent rise, to US$1.6 trillion, in debt owed to bondholders, as these creditors returned to lending in international markets. PPG debt stock owed to bondholders has become prominent for LMICs as their financing needs have grown, and the cost of debt has increased. Over the last decade bondholders have accounted for a 41.6 percent share of total PPG debt, a surge driven by a decade of persistently low interest rates, which opened the markets for LMICs. PPG debt outstanding owed to commercial banks and other private entities also increased in 2024, by 7.2 percent, to US$459.9 billion. These creditors' share of total PPG has remained stable over the past decade at 12 percent. Although mostly driven by the borrowing trends of the top 10 LMIC borrowers,[1] the composition of PNG debt over the past decade has averaged a 20.1 percent share held by bondholders and 79.9 percent held by commercial banks and other private lenders. (Refer to box 1.1 for definitions of debt terms used in this report; refer to box 1.2 for income and lending classifications.)

**Box 1.1 External Debt Data: Concepts, Sources, and Coverage**

This report presents data and analysis on external debt for 119 low- and middle-income countries and Guyana. The primary source for these data is reports to the World Bank's Debtor Reporting System (DRS) from member countries that have received either International Bank for Reconstruction and Development loans or International Development Association credits and that have outstanding obligations to the World Bank. The DRS, instituted in 1951, has its origins in the World Bank's need to monitor and assess the financial position of its borrowers. Comprehensive information on data sources and the methodology used to compile the statistics presented in this report can be found in the appendix under "Data Sources." The following describes the key concepts and data sources.

*(Box continues on next page)*

**Box 1.1 External Debt Data: Concepts, Sources, and Coverage (*continued*)**

- The DRS follows international standards and defines *external debt* as the outstanding amount of actual current liabilities in both domestic and foreign currency that require payment(s) of principal and/or interest by the debtor at some point(s) in the future and that are owed to nonresidents by residents of an economy. The sum of principal and interest payments is defined as *debt service*.
- The *total external debt* of a country is the sum of public and publicly guaranteed debt, private nonguaranteed debt, and short-term debt.
- *Public and publicly guaranteed external debt* comprises long-term external obligations (maturities of over one year) of all public debtors, including debt held by the central government and by state-owned enterprises. Data are collected on a loan-by-loan basis through the DRS. Reporting countries submit quarterly reports on new loan commitments and annual reports on loan status and transactions (new commitments, gross disbursements, principal, and interest payments).
- *Private nonguaranteed debt* comprises long-term external obligations of private debtors that are not guaranteed by a public entity. The DRS has covered private nonguaranteed debt since 1973; however, for this category of debt data, the annual status and transactions (gross disbursements, principal, and interest payments) are reported in aggregate.
- *Short-term debt* is defined as debt with an original maturity of one year or less and is not covered under DRS reporting requirements. However, most DRS reporters provide an annual report on outstanding short-term debt stocks on a voluntary basis. For countries that do not provide these data, information on their short-term debt is drawn from the Quarterly External Debt Statistics database, a joint World Bank–International Monetary Fund initiative, wherein data are compiled and reported by countries' central banks, along with data compiled by the Bank for International Settlements.

All debt data reported to the DRS are validated against—and, when appropriate, supplemented by—data from other sources. These additional data include the Balance of Payments and International Investment Position statistics, Quarterly External Debt Statistics, information published on official government websites, reports from the International Monetary Fund, regional development banks, the Organisation for Economic Co-operation and Development, the Bank for International Settlements, and websites and annual publications of lending agencies.

**Box 1.2 World Bank Income and Lending Classifications Used in *International Debt Report 2025***

The World Bank classifies economies by income level for analytical purposes (to broadly group countries by level of development) and operational purposes (to determine their Financial Terms and Conditions of Bank Financing). This report presents data for 119 low- and middle-income countries and Guyana (the only high-income country eligible for International Development Association [IDA] resources) reporting to the World Bank Debtor Reporting System. Twenty-four of these countries are classified as low-income, with per capita income of US$1,135 or below; 95 countries are classified as middle-income, with per capita income greater than US$1,135 and less than or equal to US$13,935; and one country, Guyana, is classified as high-income, with per capita income of more than US$13,935.[a]

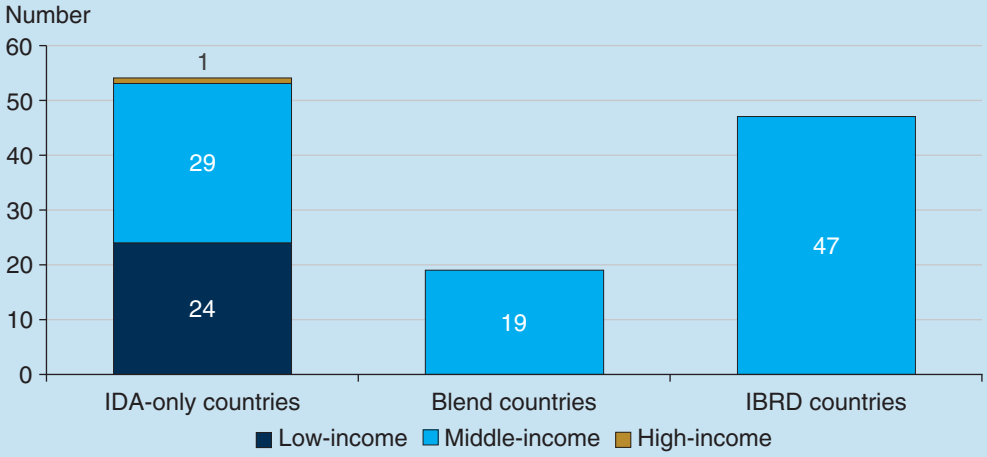
Income classifications are updated annually at the start of the World Bank fiscal year (July 1) on the basis of gross national income per capita for the previous year. This year Costa Rica was reclassified from a middle-income to a high-income country. Additionally, Equatorial Guinea, a middle-income country, was added to the publication for the first time. Ethiopia is currently in a temporary status of "unclassified" for fiscal year 2026 but, for the effect of this publication, has been retained under its fiscal year 2025 status as a low-income country. The World Bank still considers Ethiopia an IDA-only country, so the terms and conditions of World Bank financing for the country have not changed. Agencies using the World Bank income classification to determine access conditions to their own resources should still consider Ethiopia a low-income country. Gross national income is expressed in US dollars and determined by conversion factors derived according to the Atlas methodology.[b] Forty-seven of the middle-income countries covered in this report are eligible only for nonconcessional loans from the International Bank for Reconstruction and Development (IBRD) and are referred to as IBRD-only countries. The remaining 24 low-income and 48 middle-income countries, and Guyana, reporting to the Debtor Reporting System are either (a) eligible only for concessional lending from IDA and referred to as IDA-only countries; or (b) eligible for a mix of IBRD and IDA lending and referred to as "blend" countries. Together, IDA-only and IBRD-IDA blend countries are referred to as IDA-eligible countries. Figure B1.2.1 shows the distribution of the 119 low- and middle-income countries and Guyana included in *International Debt Report 2025* by income and lending groups. IDA countries receiving their IDA resources only on grant terms, which carry no repayments at all, are not part of the Debtor Reporting System. A comprehensive list of each country's income and lending classifications appears in the appendix of this report under "Country Groups."

*(Box continues on next page)*

**Box 1.2 World Bank Income and Lending Classifications Used in *International Debt Report 2025* (*continued*)**

Regional classifications were also updated at the start of the World Bank fiscal year, moving Afghanistan and Pakistan from the World Bank's South Asia region to the Middle East, North Africa, Afghanistan, and Pakistan region.

**Figure B1.2.1 Number of Low- and Middle-Income Countries Covered in *International Debt Report 2025*, by FY2026 Income and Lending Groups**




*Sources:* World Bank, "World Bank Country and Lending Groups," https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups; World Bank IDA, https://ida.worldbank.org/en/home.
*Note:* IBRD = International Bank for Reconstruction and Development; IDA = International Development Association; FY = fiscal year.

a. The country grouping is held fixed when data are compared over time in the International Debt Report. For example, the aggregate for low-income countries from 2010 to 2024 consists of the same group of countries that are classified as low-income countries according to the latest World Bank income classification as of end-2024.
b. For more information on the Atlas methodology, refer to World Bank, "The World Bank Atlas Method—Detailed Methodology," https://datahelpdesk.worldbank.org/knowledgebase/articles/378832-what-is-the-world-bank-atlas-method.

## Trends in Domestic Debt, 2014–24

Among many LMICs, a decrease or containment of the growth of external indebtedness has been offset by increases in domestic borrowing. This trend has been developing over the past decade as the expansion of domestic debt markets has allowed countries to fund fiscal deficits amid repeated shocks, growing development needs, and sluggish revenue growth (and, although the increase

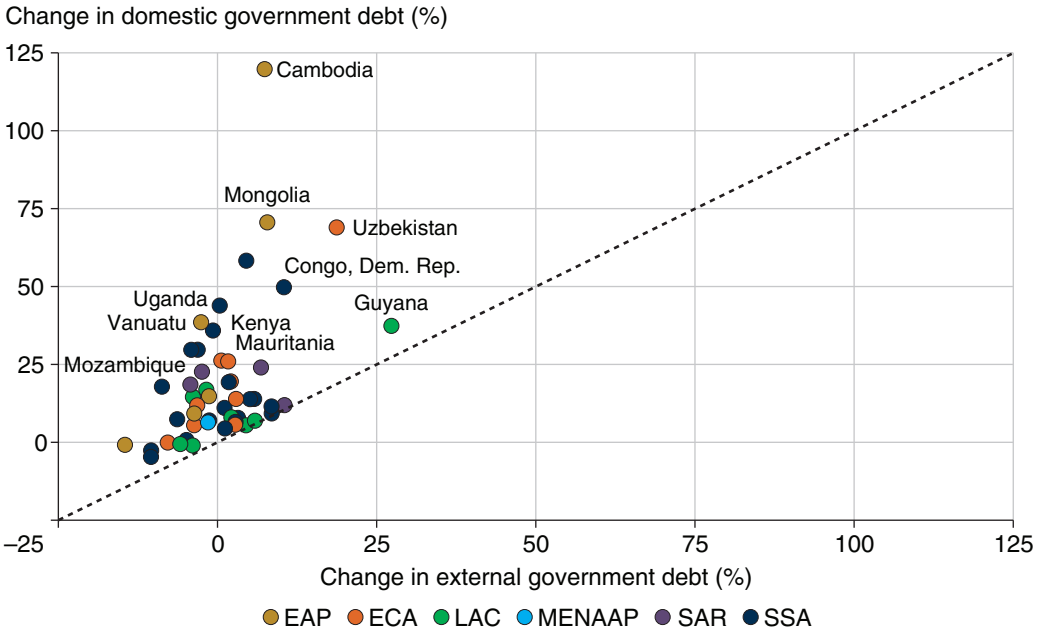
in domestic debt in 2024 may reflect some short-term and cyclical factors, the longer-term structural trend is clear). Debt from domestic sources of financing has grown rapidly in LMICs, leading to increases in overall domestic public debt burdens. Consequently, concerns over the sustainability of the total (external plus domestic) public debt position among some LMICs persist.

Among 86 LMICs for which domestic government debt data are available, 50 countries (representing about 58 percent of the sample) recorded an increase in domestic debt that outpaced the increase in their external debt from 2023 to 2024. The remaining countries displayed more mixed patterns, with some experiencing declines in both external and domestic debt and others showing a sharper reduction in external debt relative to the domestic portion. Although this sample of 86 countries is limited because the World Bank does not require reporting on domestic debt, the findings nonetheless indicate a clear shift to a greater reliance on domestic borrowing among LMICs in 2024.

The development of domestic capital markets has enabled LMICs to reduce their dependence on external financing, contributing to macroeconomic resilience and allowing governments to borrow in local currency and mitigate their exposure to exchange rate volatility, global interest rate volatility, and currency mismatches between assets and liabilities. This ability is particularly important for issuers trying to hedge against exchange rate risks, or for borrowers that operate in nontradable sectors of the economy. As domestic financial markets deepen and investor bases broaden, governments increasingly lean on domestic borrowing, which builds a domestic yield curve that anchors financial markets and gives governments more control over financing conditions because they often act as the primary price-setters in their own markets. On the instrument side, issuance of bonds in domestic markets has not just been a source of liquidity for LMICs but also provided governments with tools to conduct monetary policy to target inflation and manage shocks. Domestic debt rose more rapidly than external public debt from 2023 to 2024. In figure 1.2, the dashed line represents an equal increase in domestic and external debt, and the clustering of points above the line indicates that domestic borrowing outpaced external financing in many countries.

Governments, however, seek to also participate in international bond markets (Eurobonds, global bonds, and so on) in order to diversify funding sources, to signal credibility to investors, and sometimes to raise large volumes of foreign exchange in a single operation, which may not be possible domestically.

**Figure 1.2 Change in Domestic and External Government Debt, Selected Low- and Middle-Income Countries, 2023–24**




*Sources:* Country reports to the World Bank–International Monetary Fund Quarterly Public Sector Debt database; publicly available country debt bulletins; market sources.
*Note:* The World Bank's Debtor Reporting System does not collect data on domestic debt; domestic debt figures presented in this report are derived from the sources listed. EAP = East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; LMICs = low- and middle-income countries; MENAAP = Middle East, North Africa, Afghanistan, and Pakistan; SAR = South Asia; SSA = Sub-Saharan Africa.

The shift to domestic financing, although generally a positive development, has also introduced new challenges for LMICs, because they need to manage the simultaneous use of domestic and external debt financing. Strong legal and regulatory frameworks are essential for proper public debt management and the overall soundness of the domestic financial system. Consequently, borrowing decisions should be balanced with a country's overall debt management objectives of ensuring debt sustainability, lowering cost and risk, and managing domestic and external shock absorption mechanisms. Domestic debt tends to be of a shorter maturity than external debt and is consequently more susceptible to rollover risk. Heavy reliance on domestic debt increases this risk, as well as the risk associated with increased interest rates. Government credibility is critical to managing and minimizing these risks and is enhanced by the availability of timely and reliable information on domestic and external debt financing. Government support is also crucial, especially in the early stages of developing domestic markets, for providing liquidity and guarantees and setting

benchmarks on the pricing of the instruments and in the adoption of flexible exchange rate regimes. However, as domestic markets become more established, greater government borrowing and rising interest rates can crowd out private borrowing and investment. With domestic banks preferring to (or being pressured to) lend to the government, their exposure to the sovereign grows and creates a balance sheet interconnectedness referred to as the "sovereign-bank nexus" that can amplify macroeconomic risks when public debt sustainability problems arise. Additionally, heavy government borrowing can limit and reshape private sector financing and investment, resulting in the public debt–private finance nexus.

Domestic markets in LMICs have not only attracted resident investors but also become attractive to international investors. Their development has led to nonresidents borrowing in domestic currency in countries with well-established access to capital markets, such as in Argentina, Indonesia, Mauritius, Mexico, and South Africa, as well as newer issuances in Colombia, the Dominican Republic, Jamaica, the Philippines, and Türkiye. The liberalization of capital markets in these economies has played an important role in deepening domestic markets and attracting international investors. Such participation can benefit the depth and liquidity of domestic financial markets, increase investor competition, and promote international standards. Multilateral organizations, including the World Bank, have played an important role in assisting countries with the development of their domestic financial markets (box 1.3).

**Box 1.3 The World Bank's Role in Developing Domestic Financial Markets**

Deep and efficient domestic debt markets help build resilience to shocks in times of financial turbulence and convey multiple additional economic benefits. They can mitigate currency risk, help price risk appropriately, allow financial market participants to better manage their portfolios, and provide a more effective conduit for monetary policy. They can also attract vital capital when the appetite of international bond holders dwindles.

The World Bank Group has introduced multiple resources and programs to support the development of local currency bond markets (LCBMs) in low- and middle-income countries. One such resource, the *Guidance Note for Developing Government Local Currency Bond Markets* published in 2021 by the International Monetary Fund and World Bank, provides a comprehensive and systematic framework for LCBM development (Hashimoto et al. 2021). The note identifies the enabling conditions, diagnostic frameworks, and basic building blocks that countries can implement to develop and expand LCBMs, while emphasizing the critical roles of risk management and transparency.

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**Box 1.3 The World Bank's Role in Developing Domestic Financial Markets (*continued*)**

Apart from providing guidance, the World Bank has also participated directly in developing borrowers' domestic debt markets. Bhutan is an example. A 2022 joint International Monetary Fund–World Bank mission assisted the South Asian nation's government in assessing the development of its domestic government debt market and provided inputs for a master plan to deepen that market. Recommended policies focused mainly on the primary market, including introduction of a more regular issuance calendar, a gradual maturity lengthening, and a buildup of benchmark securities.

The World Bank and the International Finance Corporation also launched the Joint Capital Market Program (J-CAP) in 2017 to support the development of strong local capital markets. The program mobilizes experts across the World Bank Group to advance deep, efficient, and well-regulated local capital markets that create access to long-term, local-currency finance. J-CAP initially focused on six priority countries and one region: Bangladesh, Indonesia, Kenya, Morocco, Peru, Viet Nam, and the West African Economic and Monetary Union. Since then, it has added several more countries where it works to support local capital markets development. In Bangladesh, regulatory reforms enabled by J-CAP led to a US$50 million International Finance Corporation investment in the country's first low-income housing bond. In Colombia, J-CAP advisory enabled the issuance of two private bonds to fund biodiversity projects. In Côte d'Ivoire, J-CAP helped create a bond that raised money to bring electricity to up to 800,000 low-income households.

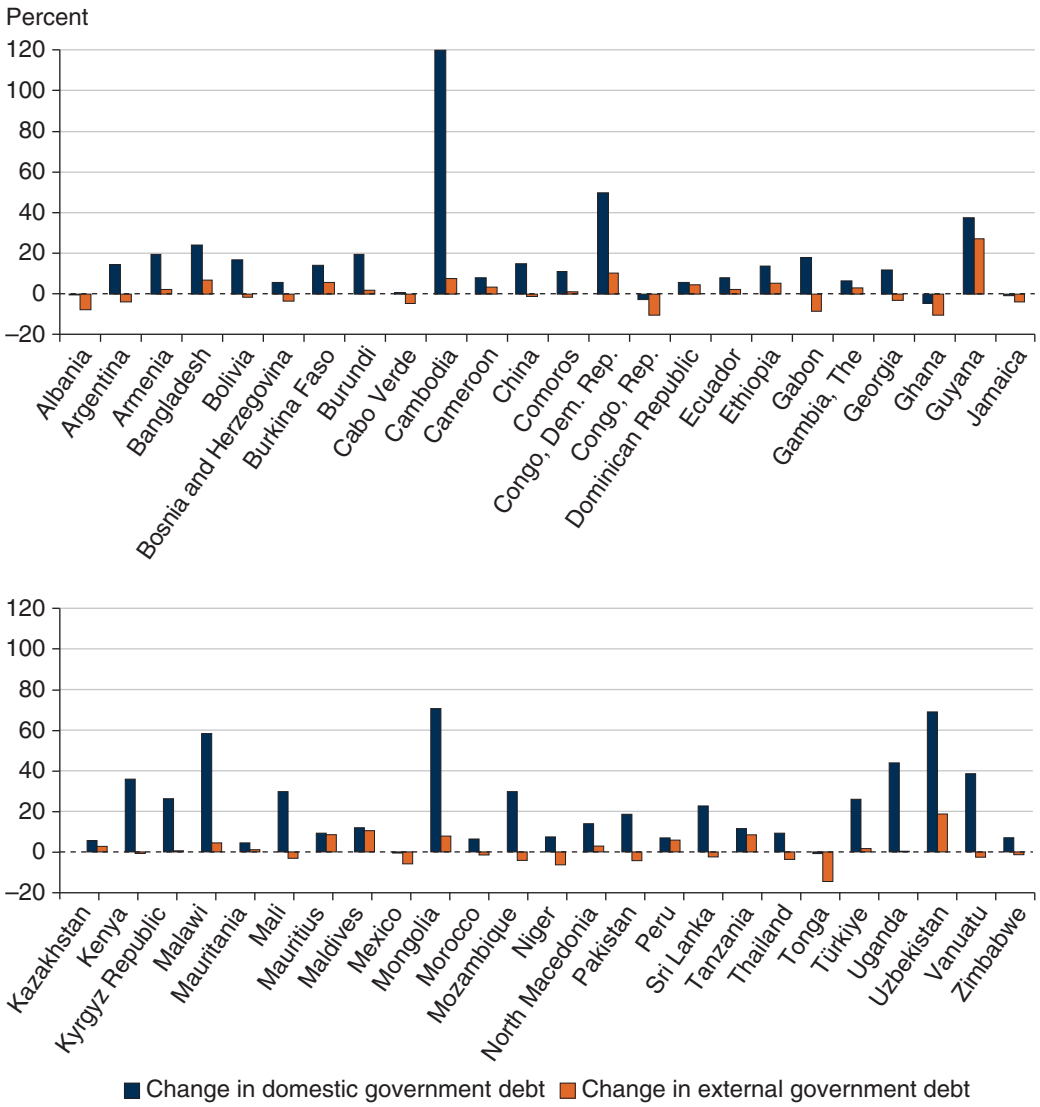
In addition, the World Bank's Sustainable Development Finance Policy has targeted the development of domestic debt markets through the issuance of guidelines and calendars for issuing domestic securities in alignment with annual borrowing plans, among other actions.

Low- and middle-income countries tend to have relatively small local capital markets, but those markets can still serve as alternative mechanisms for finance when external funding from international bondholders dries up. When economic uncertainties dampen international investor demand for sovereign bonds and effectively shut low- and middle-income countries out of financing, local capital markets can step in and fill the role.

From a policy perspective, domestic debt accumulations have been driven by two factors: crisis-response policies following the retrenchment of credit during the COVID-19 pandemic and, more recently, policies designed to reduce external debt reliance. Consequently, the extent of the switch from external to domestic debt has varied across countries and regions.[2] In countries such as China, Gabon, Kenya, Mozambique, and Vanuatu, improvements in external debt were offset

by increases in domestic debt (figure 1.3). In Cambodia, Guyana, Malawi, Mongolia, and Uzbekistan, external and domestic debt both increased, with the rise in domestic debt being relatively larger than that of external debt. Conversely, Ghana, Jamaica, and Mexico recorded decreases in both their domestic and external indebtedness in 2024.

**Figure 1.3 Change in External vs. Domestic Government Debt, Selected Low- and Middle-Income Countries, 2023–24**




*Sources:* Country reports to the World Bank–International Monetary Fund Quarterly Public Sector Debt database; publicly available country debt bulletins; market sources.

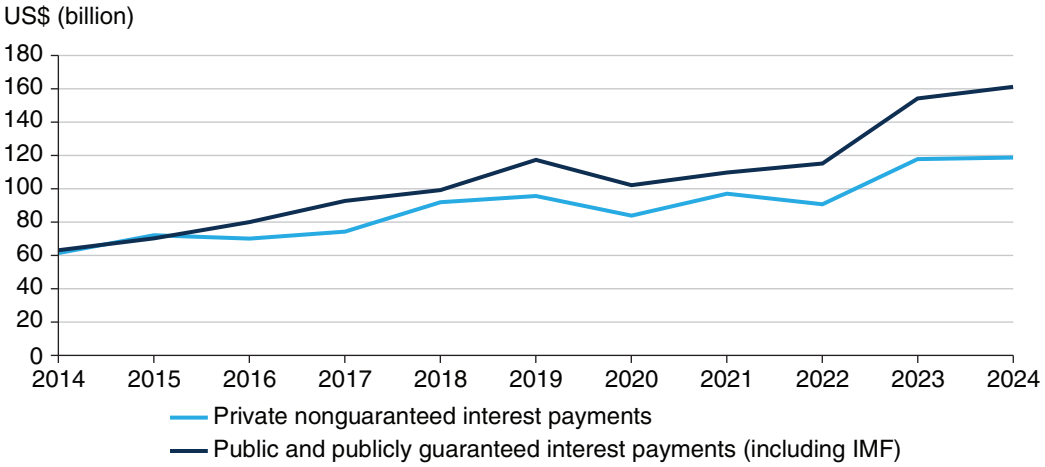
Even if external sources of financing remain stable for LMICs, their economies' vulnerability to global shocks such as interest rate increases and currency risks remains high. Each year, movements in the value of the US dollar against other global currencies affect the value of LMICs' debt. These fluctuations can typically be quite volatile and have important implications for LMICs with large dollar-denominated external debt portfolios. As the US dollar climbed in 2024 against the euro, the British pound, the Chinese yuan, the Japanese yen, and many other currencies, the debt stock denominated in those currencies shrank when converted into US dollars. However, when considering this effect only on the liabilities side, an appreciation of the dollar increases countries' debt burdens (measured in domestic currency), because it increases the value of outstanding debt and the cost of servicing their dollar-denominated debt. On a bilateral basis in 2024, the dollar appreciated 9.4 percent against the Japanese yen, 6 percent against the euro, 2.8 percent against the special drawing rights, and 2.1 percent against the Chinese yuan, with these four currencies making up the largest portion of LMICs' debt stock after the US dollar–denominated portion. Nevertheless, this effect was reversed in the first half of 2025, when the dollar experienced its biggest depreciation since 1973.

## Debt Servicing Burdens of LMICs, 2014–24

For the second year in a row, LMICs' interest payments to service their external debt reached an all-time high. Total interest payments on external debt stock of LMICs increased 2.2 percent in 2024, to US$415.4 billion. Debt servicing costs became more expensive because of persistently high interest rates that continued into 2024, combined with LMICs' elevated debt stock positions. As core inflation remained elevated in many countries, central banks continued to adhere to a tight monetary policy and kept interest rates high for a longer period of time. Such policies, implemented to contain inflation, also amplified fragilities for countries already facing tight fiscal space as they emerged from the COVID-19 pandemic.

Whereas interest payments on servicing short-term debt remained stable, interest payments on long-term external debt increased 3.0 percent in 2024, to US$280.1 billion. These payments are 2.1 times higher than they were a decade earlier. The increase in long-term interest payments in 2024 was primarily driven by a 4.5 percent increase in interest payments on PPG debt, to US$161.3 billion; the relative increase in payments from the PNG sector was moderate at 0.9 percent, to US$118.8 billion (figure 1.4). As interest rates remained elevated in 2024, the increase in long-term PPG interest expenses followed the same trend as the outstanding debt obligations of this borrower group, which increased 2.1 percent to US$3.9 trillion in 2024. Conversely, although the long-term outstanding debt of PNG borrowers decreased 1.4 percent in 2024, to US$2.6 trillion, interest payments on these obligations increased slightly in 2024.

**Figure 1.4 Low- and Middle-Income Countries' Interest Payments on External Debt, by Debtor Type, 2014–24**




*Source:* World Bank International Debt Statistics database.
*Note:* IMF = International Monetary Fund.

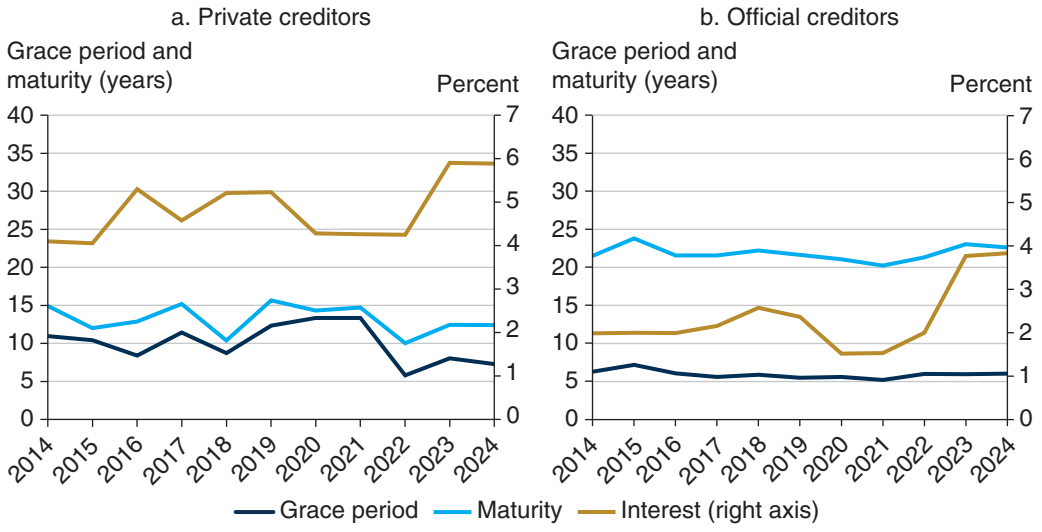
China, the largest debtor country among LMICs, accounted for 30.1 percent of LMICs' interest payments on total debt stock. In 2024, the country's interest cost on short-term debt stock increased marginally by 1.4 percent to US$82.9 billion, whereas interest payments on long-term debt obligations decreased substantially by 21.3 percent, to US$41.9 billion. The decrease was associated with a 4 percent fall, to US$1.1 billion, in long-term debt obligations in 2024. Excluding China, total interest costs of other LMICs increased 7.1 percent, to US$290.6 billion. Interest payments from this group of countries on short-term debt remained almost unchanged, at US$52.4 billion, whereas interest payments on long-term debt increased 8.9 percent to US$238.2 billion. PPG borrowers drove the trend, paying 12.9 percent higher interest payments on long-term debt than they did a year earlier, amounting to US$145 billion. Bondholders were the largest recipients of these payments, at US$61.6 billion, followed by multilateral creditors at US$52 billion. Long-term interest payments from PNG borrowers also increased to US$93.2 billion, but at a smaller pace of 3.1 percent.

As high global interest rates persist and countries face elevated debt levels, the risks and costs of debt rollovers for LMICs have become significant and a financial burden for governments, many of which are diverting essential resources to service debt obligations. During the past two decades, the risks associated with rolling over debt were relatively low because countries could continue securing favorable financing terms to pay off maturing debt instruments in a period characterized by predominantly low global interest rates. However, since

global interest rates began to increase in early 2022, the risks and costs of rollovers also increased substantially, because of markedly higher interest rates on newly contracted instruments than on maturing ones. In February 2024, Kenya successfully issued a new US$1.5 billion bond and used the proceeds to refinance a portion of its maturing external debt by paying off its June 2024 maturing US$2 billion Eurobond. Although the operation successfully extended the maturity profile of Kenya's debt portfolio by extending the maturity of the new instrument until 2031, it did so at a higher cost: the new bond issuance offered a coupon and yield of 9.75 percent and 10.375 percent, respectively, compared to the 6.875 percent coupon of the maturing instrument.

Higher interest rates have not only affected the cost of rollovers but also increased the overall cost of all new borrowing, which continues to be contracted at much higher rates. Since global interest rates began to increase rapidly in 2022 to tame inflation, LMICs' average interest rate on new external commitments continued to remain high in 2024 at 5.89 percent for lending from private creditors and 3.8 percent for lending from official creditor sources (figure 1.5). The last time LMICs' average interest rate on debt commitments from private creditors exceeded the 2023–24 level was in 2007, right before the 2008 financial crisis, at 6.14 percent; the equivalent rate from official creditors was last recorded as higher than 3.8 percent in year 2000 at 4.72 percent.

**Figure 1.5 Average Terms on New External Debt Commitments for Low- and Middle-Income Countries, by Creditor Type, 2014–24**

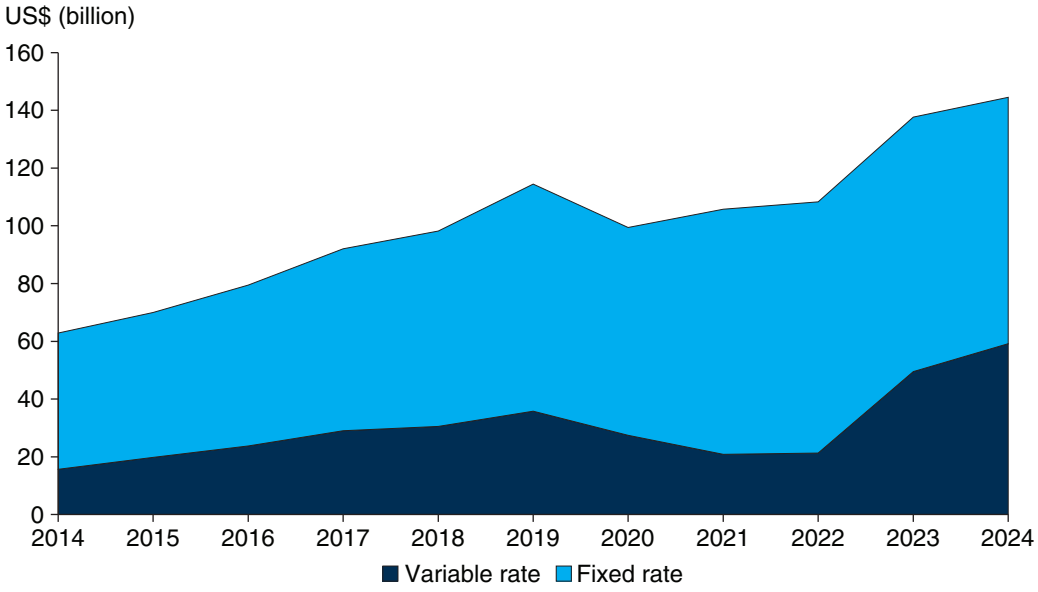



*Source:* World Bank International Debt Statistics database.

Favorable lending terms can be acquired through the combination of low interest rates, longer maturity structures, and a longer grace period, which can provide stability for borrowers. Lending from official creditor sources such as bilateral and multilateral institutions has historically provided borrowers with more favorable terms, lowering their cost of borrowing, freeing up their fiscal space, and reducing their financial risk exposure through longer maturities and longer grace periods. Consequently, the average maturity on new commitments from official and private creditors remained steady in 2024, with official creditors offering almost twice the length of maturity offered by private creditors, at 22 years.

Higher global interest rates also continued to elevate the interest payments on debt previously contracted at variable rates. As the underlying benchmark rates increased, servicing already contracted obligations became more expensive and continued to pose serious challenges for governments' budgeting forecasts. Variable debt financing offered cost saving options during the period of predominantly low interest rates; however, its fluctuations over time have become risky and costly as interest rates remain elevated. LMICs' share of total outstanding PPG debt (excluding IMF obligations) contracted at variable interest rates has decreased slightly over the past decade, from 36 percent in 2014 to 33 percent in 2024. However, the share of interest payments on PPG debt contracted at variable interest rates has increased by 16.1 percentage points over the same period, accounting for a 41.0 percent share in 2024, equivalent to US$59.2 billion in nominal US dollar terms (figure 1.6).

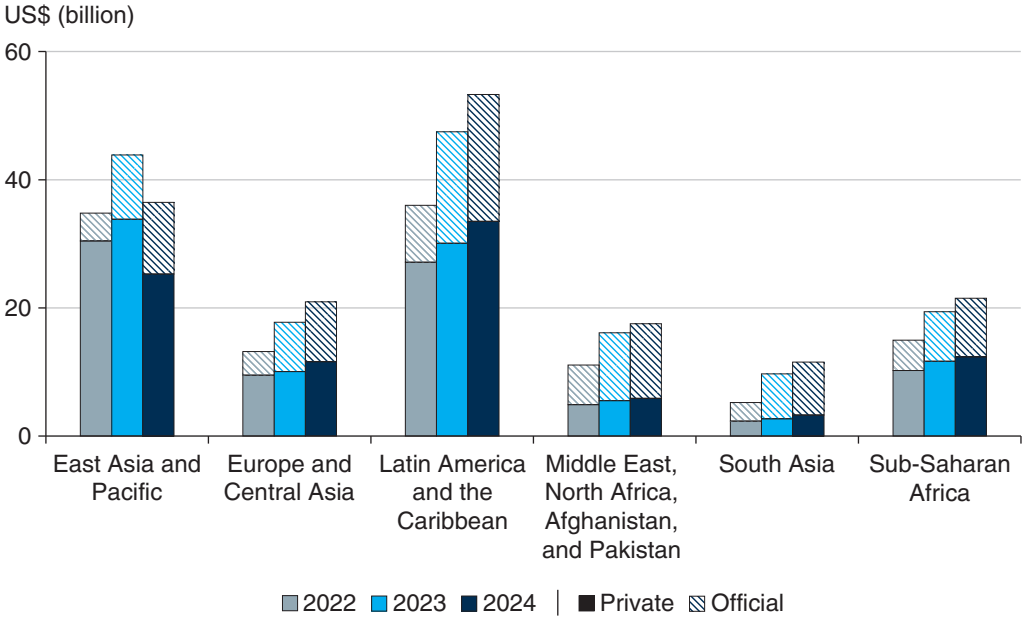
**Figure 1.6 Interest Payments on Public and Publicly Guaranteed Debt for Low- and Middle-Income Countries, by Type of Interest Rate, 2014–24**




*Source:* World Bank International Debt Statistics database.

At the regional level, interest payments on PPG debt increased in all regions except East Asia and Pacific. Interest payments in the East Asia and Pacific region decreased 16.8 percent in 2024, to US$36.5 billion (figure 1.7). Interest payments on PPG debt owed to official creditors increased 11.6 percent in 2024, to US$11.2 billion in the region, and interest payments on PPG debt owed to private creditors decreased 25.3 percent to US$25.3 billion. China, the largest borrower in the region, is the driver for the overall regional decrease, with the country's PPG debt payments to private creditors almost halving in 2024. The South Asia region experienced the fastest growth in PPG debt interest payments, 19.2 percent in 2024; however, in nominal terms it accounted for the smallest volume, US$11.6 billion. The increase was attributed to increases in PPG debt interest payments to both official and private creditor entities, with Sri Lanka and Bangladesh driving the trend. Latin America and the Caribbean accounted for the largest volume of interest payments in 2024 among all the regions. Interest payments on PPG debt increased 12.3 percent in 2024, to US$53.3 billion. Mexico and Brazil recorded the highest PPG payments at US$15.1 billion and US$11.5 billion, respectively.

**Figure 1.7 Interest Payments on Public and Publicly Guaranteed Debt of Low- and Middle-Income Countries, by Region and Creditor Type, 2022–24**

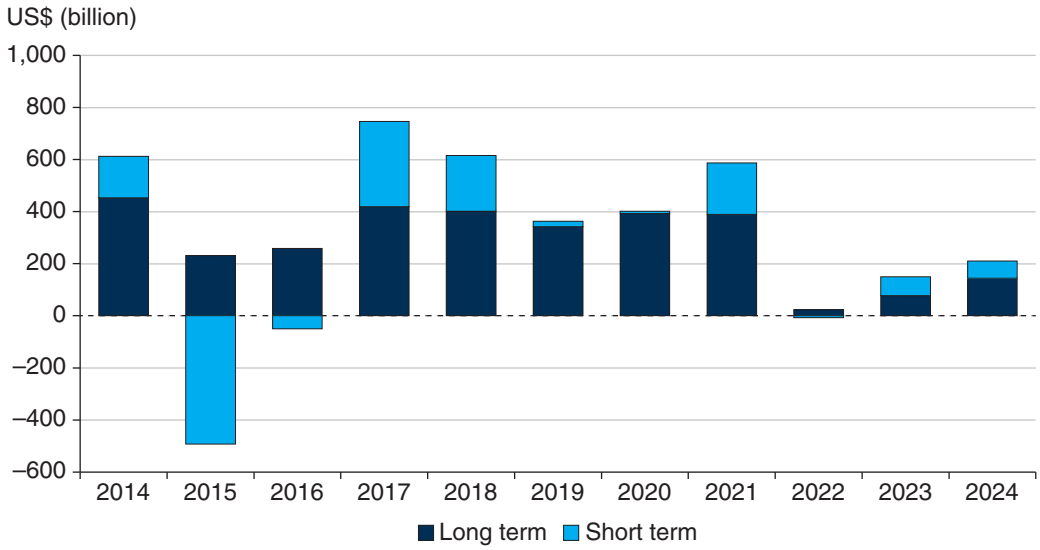



*Source:* World Bank International Debt Statistics database.

## Trends in External Debt Flows, 2014–24

Net debt flows (disbursements minus principal repayments) to LMICs increased 40.7 percent in 2024, to US$210.3 billion (figure 1.8). Short-term debt net flows contracted 8.7 percent to US$65.8 billion; long-term debt net flows nearly doubled in 2024, from US$77.5 billion to US$144.6 billion. The increase in long-term flows resulted from a twofold increase in inflows to PPG borrowers, which was offset by higher outflows from PNG borrowers.

**Figure 1.8** Net Debt Inflows, by Maturity, Low- and Middle-Income Countries, 2014–24

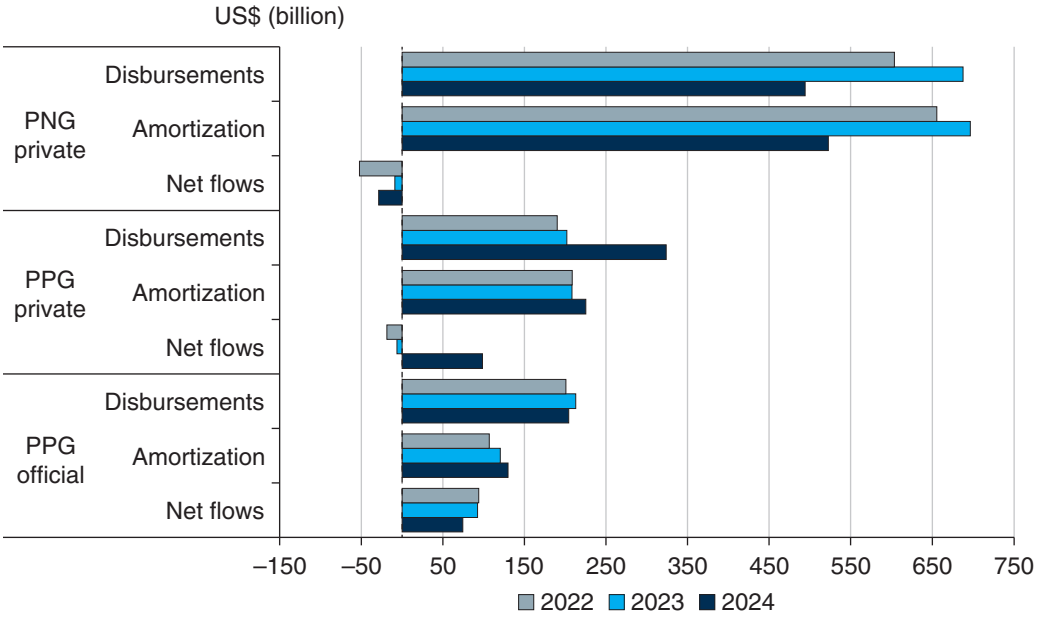



*Source:* World Bank International Debt Statistics database.

The volume and trend of 2024 net debt flows, specifically those to private creditors, were dominated and distorted by a third consecutive year of net debt outflows from China. China's total net debt inflows of US$366.9 billion in 2021, equivalent to a 62.6 percent share of total LMIC net flows, were followed by three consecutive years of outflows. In 2024, China's net debt flows remained negative, at US$19.5 billion, but these outflows were small compared to the massive contraction of US$544.1 billion recorded in 2022. The improvement was a consequence of an increase in long-term debt flows from private creditors. Net flows to bondholders dropped from an outflow of US$101.4 billion to an outflow of US$16.1 billion, and net debt flows to banks and other private creditors decreased US$17.6 billion to an outflow of US$19.4 billion in 2024. Short-term net inflows decreased 16.9 percent to US$18.5 billion.

China's net debt inflows from private creditors improved by US$67.7 billion in 2024, reversing the substantial outflows experienced by LMICs in 2022 and 2023, US$70.7 billion and US$15.1 billion respectively (figure 1.9).

**Figure 1.9 Long-Term External Debt Flows to Low- and Middle-Income Countries, by Borrower Type, 2022–24**




*Source:* World Bank International Debt Statistics database.
*Note:* PNG = private nonguaranteed; PPG = public and publicly guaranteed.

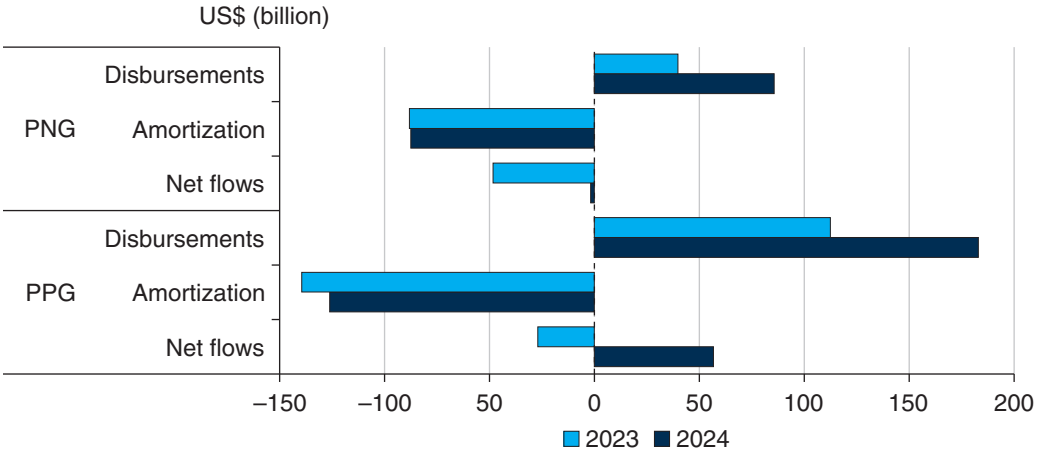
This rebound was notably more pronounced for China than for the rest of LMIC borrowers. When China is excluded, total net debt flows to LMICs remained stable in 2024, increasing only 0.9 percent to US$229.9 billion, and long-term net debt inflows remained almost unchanged at US$182.6 billion. Viet Nam, Kazakhstan, the Arab Republic of Egypt, Argentina, and Azerbaijan recorded the largest net outflows in 2024; the Philippines, Türkiye, Indonesia, Ukraine, and India recorded the largest net inflows.

Bondholders and multilateral institutions were the source of over 86.5 percent of long-term debt inflows to LMICs in 2024, accounting for 38.1 percent and 48.5 percent, respectively. The most significant shift in the creditor composition of debt inflows in 2024 was the surge in inflows from bondholders, which reversed from a net debt outflow of US$75.4 billion in 2023 to an inflow of US$55.0 billion in 2024. Bondholders' share of net long-term debt inflows to LMICs in 2024 was 38.1 percent, a marked divergence from the negative contribution in 2023. The change in debt outstanding owed to bondholders in 2024 was positively affected by the increase in net debt flows, but negatively affected by currency valuation effects as a result of the appreciation of the US dollar and the restructuring agreements implemented during the year when they included an up-front haircut. These agreements have no impact on current net flows calculations, which measure the provision of new financing minus repayments

during that period. The reversal reflected a turnaround in renewed investor confidence, improvements in economic growth prospects, and reduced credit risk perceptions.

Bond financing was very responsive to changes in investor sentiment, as the external financing environment and domestic economic conditions in LMICs improved in the aftermath of the COVID-19 pandemic. Additionally, expectations about US monetary policy gradually shifted in 2024 as the Federal Reserve ended its tightening cycle and began to move from a restrictive stance to a more accommodative one. Consequently, investors anticipated a decline in global interest rates, which would raise bond prices. This prospect of capital gains, combined with still-elevated yields on LMIC sovereign bonds, made bond holdings increasingly attractive, prompting a strong investor demand and oversubscription in LMICs bond issuances and a surge in bond inflows. Overall, in 2024, gross bond financing for both the PPG and PNG sectors of the economy increased 76.5 percent over 2023. PPG borrowers led the recovery in new bond financing, accounting for over two-thirds of the total US$268.7 billion in new issuance by LMICs. Bond financing for PNG sector borrowers also grew in 2024, more than doubling to US$85.7 billion (figure 1.10). China, the largest LMIC borrower, accounted for 21.1 percent of new bond disbursements. China led the recovery of LMIC's PPG bond issuances, which more than doubled in 2024 to US$32.6 billion. These increases highlighted not only the recovery and growth of investor confidence and appetite in LMICs but also the capacity to adapt to changes in external financing conditions from borrowing governments and public sector entities of LMICs.

**Figure 1.10 Bond Flows to Low- and Middle-Income Countries, by Borrower Type, 2023–24**




*Source:* World Bank International Debt Statistics database.
*Note:* PNG = private nonguaranteed; PPG = public and publicly guaranteed.

LMICs' principal repayments to bondholders decreased 6.1 percent in 2024 to US$213.7 billion. China, which accounted for 34.1 percent of these payments, was the primary reason behind the decrease, recording a 43 percent drop, to US$72.8 billion. When China is excluded, principal repayments to bondholders increased 40.8 percent in 2024 to US$140.9 billion. Net flows to bondholders from this group of countries increased close to threefold in 2024, to US$71.1 billion.

Multilateral creditors continued to provide the most support to LMICs, albeit at a much slower pace following the unprecedented support provided during the COVID-19 pandemic, recording US$70.1 billion in net debt inflows in 2024. Net debt flows from multilateral creditors decreased 5.1 percent in 2024 and accounted for 48.5 percent of net long-term debt inflows to LMICs. Despite the overall decrease, net flows from the World Bank (International Bank for Reconstruction and Development [IBRD] and International Development Association [IDA] lending) reached an all-time high of US$36 billion, increasing 30.4 percent in 2024. They accounted for 51.3 percent of net flows from multilateral institutions. Bangladesh, Kenya, Nigeria, the Philippines, and Ukraine were the largest recipients of these funds. The second-largest net debt flows by volume in 2024 came from the European Union, at US$15.5 billion, driven largely by support provided to Ukraine.

Conversely, net debt inflows from bilateral creditors decreased 76 percent to a nominal volume of US$4.5 billion, lows not seen since the net outflows during the 2008 financial crisis. The bilateral restructuring agreements implemented in 2024 reduce debt outstanding when they include an element of debt forgiveness but have no impact on the current year's net flows calculations. Consequently, the decrease in bilateral net debt flows is a direct consequence of a fall in new financing provided by these creditors. New bilateral creditor disbursements decreased 22.1 percent in 2024 to US$44.3 billion, comparable to lows not seen since 2015. During the same period, principal repayments increased 4.2 percent to US$39.8 billion. Thus, LMICs have been under pressure to find alternative sources of financing, which are typically more costly when sourced from external private creditors.

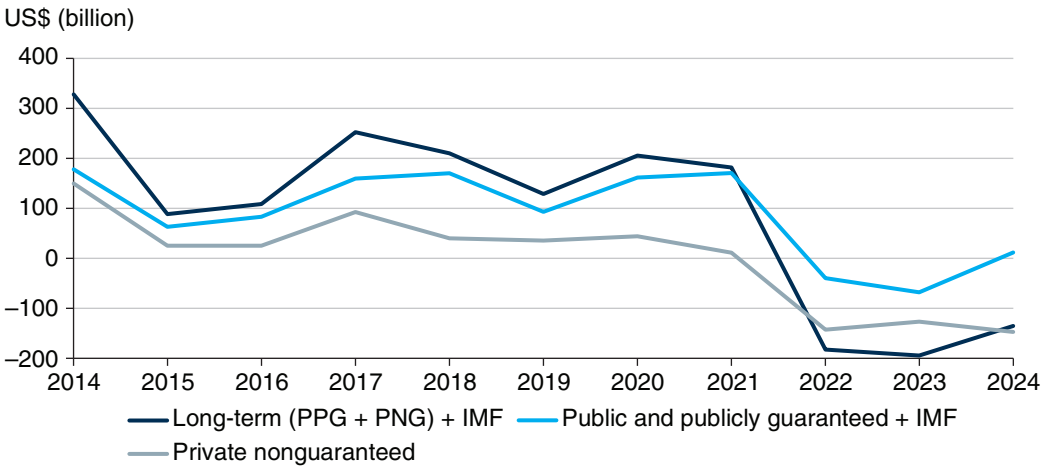
Additionally, LMICs' net debt flows from banks and other private creditors experienced a reduction in 2024, decreasing by 75.1 percent to US$15.0 billion after bouncing back and more than doubling in 2023. PPG net flows from banks and other private creditors more than doubled to US$41.8 billion in 2024, indicating the return to lending by private creditors to sovereigns and other public sector entities. PNG net flows from the same group of creditors diverged from the upward trend and turned negative in 2024. One-third of the decrease was attributed to China, which recorded a net outflow of US$45.5 billion,

and two-thirds resulted from decreases experienced in the rest of LMICs. PNG net flows from banks and other private creditors to LMICS, excluding China, decreased 69.3 percent in 2024 but remained positive at US$18.7 billion.

## Trends in Net Transfers on External Debt, 2014–24

LMICs' total net debt transfers (disbursement minus total debt service payments) were negative for a third consecutive year in 2024, albeit at an improving pace and equivalent to a US$205.1 billion outflow in 2024. Negative net transfers, which indicate that a country's new disbursements are lower than what it pays in interest and principal payments to service its debt obligations, commenced in the aftermath of the COVID-19 pandemic and have persisted for the past three years. Net transfers on long-term debt improved in 2024 but remained negative at US$135.5 billion amid a change in composition (figure 1.11). The improvement was due to net transfers to PPG borrowers, which turned slightly positive in 2024 to US$11.9 billion. Conversely, net debt transfers to PNG borrowers continued to remain negative in 2024, deteriorating from US$126.6 billion to US$147.4 billion. The combination of suppressed new gross financing and persistently high interest payments has resulted in negative net transfers to LMICs. This behavior is even more evident at the creditor-composition level.

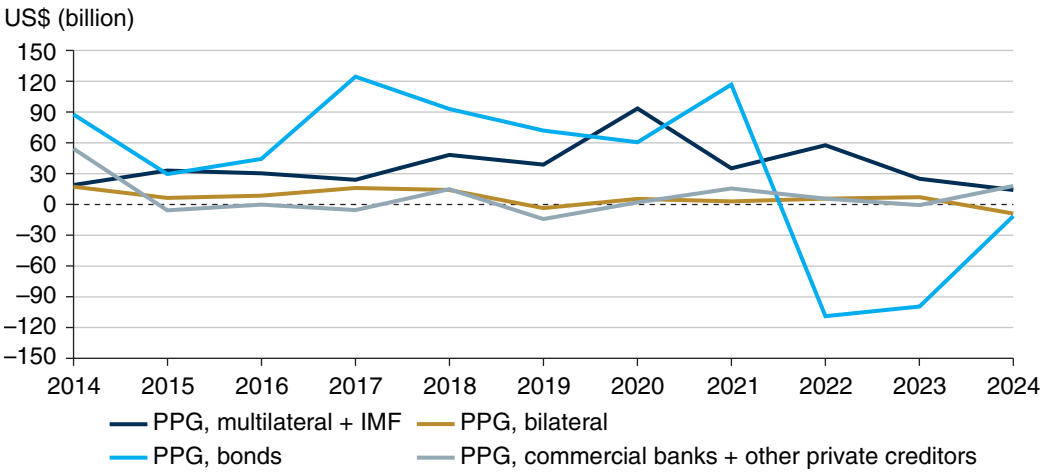
**Figure 1.11 Long-Term Net Transfers on External Debt in Low-and Middle-Income Countries, by Debtor Type, 2014–24**




*Source:* World Bank International Debt Statistics database.
*Note:* IMF = International Monetary Fund; PPG = public and publicly guaranteed; PNG = private nonguaranteed.

In 2024, net transfers from multilateral institutions and commercial banks and other private creditors to PPG borrowers were the only two positive contributors to long-term net transfers (figure 1.12). Multilateral institutions have provided positive support since 2007, providing financing at concessional terms and interest-free loans in critical sectors, as well as budget support to LMIC governments to help achieve sustainable development, shared growth, and poverty reduction. Multilateral institutions provided US$14.1 billion more in financing during the year than they received in principal and interest payments, and the World Bank Group provided US$18.9 more than it received. Still, overall multilateral lending to LMICs has been on a downward trend since 2022, falling by 43.8 percent in 2024. Commercial banks and other private creditors were the other source of positive net transfers to PPG borrowers, which reversed from an outflow of US$613.12 million in 2023 to an inflow of US$17.9 billion in 2024. China was the primary reason behind this reversal: net transfers from this creditor base increased from an inflow of US$15.2 billion to US$20.7 billion in 2024. When China is excluded, LMICs' PPG net transfers from this creditor base turned into an outflow of US$2.8 billion. Multilateral institutions remain the only creditor base that provided more in new disbursements than it received in interest and principal repayments from LMICs excluding China.

**Figure 1.12 Long-Term Net Transfers on Public and Publicly Guaranteed External Debt in Low- and Middle-Income Countries, by Creditor Type, 2014–24**



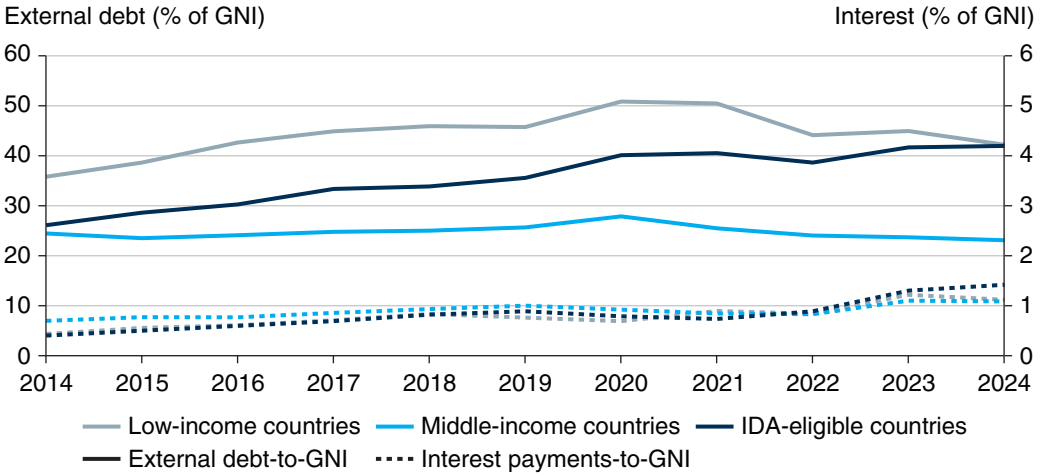

*Source:* World Bank International Debt Statistics database.
*Note:* IMF = International Monetary Fund; PPG = public and publicly guaranteed.

Net transfers from bilateral creditors to LMICs turned sharply negative in 2024, completely reversing from a US$7.0 billion inflow in 2023 to a US$8.8 billion outflow in 2024. As new gross financing from this creditor base decreased in 2024, LMICs' higher principal payments and record interest payments intensified the increase in outflows on net transfers. The reversal in net transfers can become highly detrimental to sustainable development finance and its ability to promote economic growth and welfare, because this creditor base often provides direct financing on concessional terms. Net transfers from bondholders to PPG borrowers in 2024 improved because of the increase in new bond issuance, but the cost of servicing bonds (principal plus interest) continued to exceed new disbursements, resulting in outflows of US$11.3 billion in 2024. Although higher yields have made LMIC bonds more attractive to investors, this situation has resulted in LMIC issuers making higher interest payments to attract investors and consequently increasing the cost of financing.

## Key Debt Indicators, 2014–24

LMICs' external debt indicators, measured in terms of gross national income (GNI) and export earnings, have improved markedly since the COVID-19 pandemic, with most LMICs seeing their economies rebound strongly. The resumption of economic activity and a sharp rise in export volumes in the aftermath of the pandemic were the most important factors contributing to improvements in the debt ratios. Despite the volatility of export revenue and global economic uncertainty, LMICs' export revenues expanded by 6.6 percent to US$9.9 trillion in 2024, and GNI grew 3.8 percent to US$38.2 trillion. Both of these increases outpaced the 1.1 percent rise to US$8.9 trillion in outstanding external debt obligations and the corresponding increase in interest payment levels. Over this period, the combined stock of LMICs' external debt measured in terms of GNI fell to 23.4 percent, 2.4 percentage points lower than the 2021 level. The corresponding ratio of external debt stock to export earnings fell from 103.8 percent in 2021 to 90.2 percent in 2024 (figure 1.13; box 1.4).

**Figure 1.13 External Debt-to-GNI and Interest Payments-to-GNI Ratios for Low- and Middle-Income Countries and IDA-Eligible Countries, 2014–24**




*Source:* World Bank International Debt Statistics database.
*Note:* For each country group, solid lines show the ratio of external debt to GNI (left axis) and dashed lines of the same colors show the ratio of interest payments to GNI (right axis). GNI = gross national income; IDA = International Development Association.

**Box 1.4 Debt-to-GDP and Debt-to-GNI Ratios, and Accounts Rebasing**

### Debt-to-GDP versus Debt-to-GNI Ratios

Gross domestic product (GDP) and gross national income (GNI) both measure a country's income, but GDP counts only income received from domestic sources, whereas GNI includes net income received from abroad. The World Bank favors the use of GNI for operational purposes. Member countries' relative poverty is measured in relation to GNI per capita, and this measure underpins the annual income classification published by the International Bank for Reconstruction and Development and the International Development Association operational cutoff (US$1,135 per capita for fiscal year 2026) and both entities' lending terms (interest rate and maturity) for specified borrowers. The International Debt Statistics database follows this convention and provides users with GNI data for each reporting country and the relevant external ratios of debt stock and debt service to GNI. The International Monetary Fund uses the concept of GDP in Article IV consultation reports and its programs to measure macroeconomic outcomes. The practice is carried forward to the joint World Bank–International Monetary Fund Debt Sustainability Analysis, with debt stocks and debt service measured in relation to GDP. Conceptually, GDP may be regarded as a more accurate measure of a national government's capacity to raise domestic resources from which debt-related obligations must be serviced. For most countries, the difference between GDP and GNI is minimal. For example, the World Bank calculates the United States' GNI to be only 0.2 percent higher than GDP in 2024. GNI may be lower

*(Box continues on next page)*

**Box 1.4 Debt-to-GDP and Debt-to-GNI Ratios, and Accounts Rebasing (*continued*)**

than GDP if nonresidents control a sizable proportion of a country's production, or it may be higher than GDP if, for example, a country receives a large amount of foreign aid. For most low- and middle-income countries, the difference between end-2024 GDP and GNI was small, but there were some outliers: aid-dependent Pacific islands such as Kiribati and Nauru had a GNI significantly higher than their GDP. Conversely, in countries such as Equatorial Guinea and Guyana, GDP surpassed GNI by 40 percent.

### What Is the Base Year?

In general, the *base period* tends to be defined as the period against which quantities and prices of a given period are compared. It is not to be confused with *weight period*, the period whose weights are used (for instance, for the Laspeyres formulation, the weight period is the base period, whereas, in the Paasche index formula, the weight period is the current period).

In national accounts, the base period (year) is also the weight period. It is the year whose prices are used to derive estimates of national accounts variables in real terms and also provides national accounts compilers with the structure used to ultimately extrapolate economic growth.

### Why Do Countries Rebase Their National Accounts?

Countries rebase their national accounts to reflect the current structure and evolution of their economy by updating weights for prices and production, incorporating new or previously uncounted economic activities, and adopting international standards. This process provides a more accurate and up-to-date picture of the economy, enabling policy makers to make evidence-based decisions and track structural changes. It also improves comparability across countries.

Rebasing is necessary to reflect economic evolution: new products and industries emerge while others decline, different production technologies arise, user preferences change, and relative prices diverge from those of the base year, affecting economic growth calculations. Rebasing updates the economic data to align with these structural shifts, preventing outdated information from misrepresenting the economy's true nature. Doing so may imply the following:

- *Choosing a new base year.* A new base year should be a recent "normal" economic period without major shocks.
- *Updating weights.* National accounts use weights to reflect the relative importance of different economic activities. Rebasing updates these weights to match the current economic reality, ensuring that calculations of GDP and other aggregates are more relevant and accurate.

*(Box continues on next page)*

**Box 1.4 Debt-to-GDP and Debt-to-GNI Ratios, and Accounts Rebasing (*continued*)**

- *Incorporating new data and activities.* Rebasing allows for the inclusion of previously uncounted economic activities, such as illegal transactions, to provide a more comprehensive picture of the economy.
- *Adopting new standards and compilation methods.* This process can include the implementation of the latest standard for national accounts, international classifications for economic activities and products, and improved compilation techniques. The latest standard for national accounts is currently the 2008 version, but the United Nations Statistical Commission has just adopted a new version (2025 SNA) with first implementations expected by 2030. Some features in that new version will have an impact on GDP levels.

Accurate and current national account data are crucial for effective economic analysis and policy formulation. Policy makers can better understand economic trends, identify growth drivers, and allocate public resources more effectively by using up-to-date information.

Rebasing is only one type of revision. The accuracy of national accounts estimates and their comparability across countries also depend on timely revisions to GDP and its components. The frequency of revisions varies, with some countries revising numbers each month, others quarterly or annually, and others less frequently.

Routine revisions are usually small and based on additional information received throughout the year. Comprehensive revisions, such as a rebasing exercise, often (but not always) result in upward adjustments as improved data sources increase coverage of the economy and as new weights for growing industries more accurately reflect their contributions. These revisions will cause breaks in series unless applied consistently to historical data.

### Frequency and Impact of Rebasing National Accounts

Rebasing occurrences are not rare: the 2008 SNA recommends rebasing national accounts at least every five years.[a] If this standard were strictly implemented, about 40 countries would undergo such exercise every year. However, many countries do not rebase their national accounts that often. Over the past five years, an estimated 89 countries rebased their national accounts.

The magnitude of the revision after a rebasing exercise may vary significantly from one country to another. The average GDP revision is about 10 percent, and the distribution of revisions is shown in figure B1.4.1. Very large revisions (50 percent and more) are associated with weak statistical systems and long delays between successive rebasing exercises (10 to 25 years for the three countries concerned).

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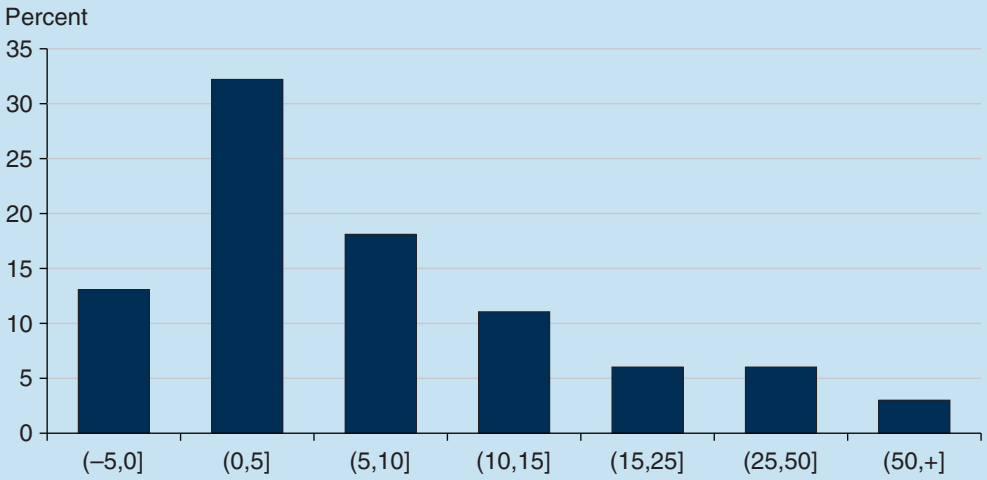
**Box 1.4 Debt-to-GDP and Debt-to-GNI Ratios, and Accounts Rebasing (*continued*)**

**Figure B1.4.1 Variation in GDP levels**




*Source:* World Bank World Development Indicators database.

a. Moreover, the actual recommendation is to produce the so-called chain-linked volume measures, which consists of changing the base year (or rebasing) every year and linking the results to be comparable in real terms.

LMICs also saw an improvement in their overall external debt payment capacity, measured in terms of total debt service (interest plus principal) payments relative to GNI and export earnings. After recording an all-time high in 2023, LMICs' total debt service payments decreased 9.7 percent in 2024, to US$1.3 trillion. The combined effect of the decrease in debt service payments and improvement in economic growth and increased export earnings led to an improvement in debt service ratios. The ratio of total debt service payments to export earnings improved 2.4 percentage points in 2024, to 13 percent, and the debt service ratio in terms of GNI improved from 3.9 to 3.4 percent over the same period.

When China is excluded, LMICs' total debt service payments in 2024 decreased at a smaller rate of 4.1 percent, to US$940.5 billion. The ratio of total debt service payments to export earnings for this group of countries improved 1.7 percentage points to 16.2 percent in 2024; the corresponding ratio in terms of GNI improved by a smaller margin of 0.4 percentage point to 4.8 percent over the same period.

Total debt service ratios should be interpreted with caution, because they mask a divergence between lower principal repayments and increased

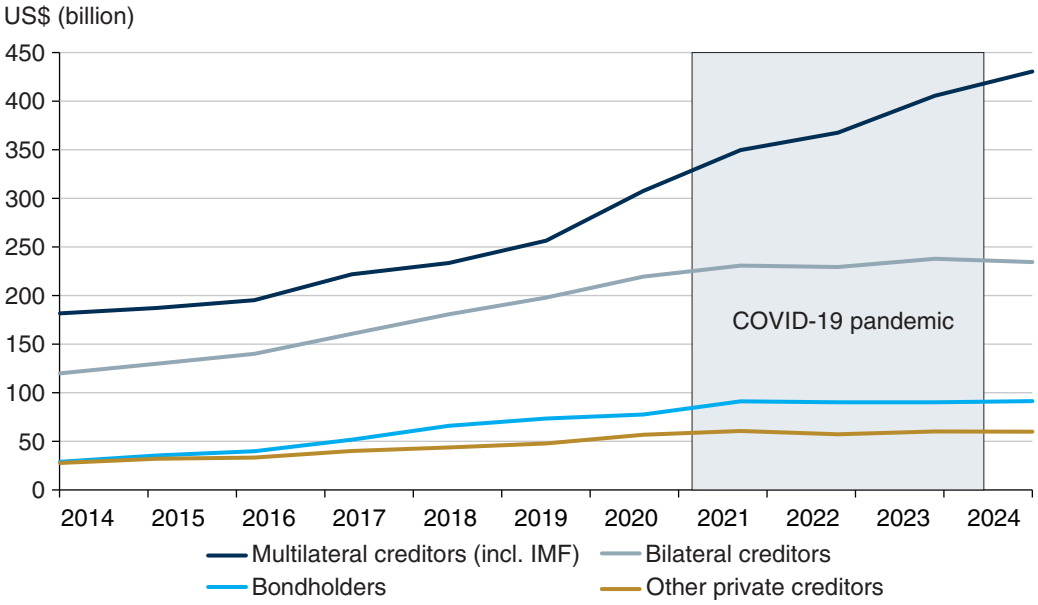
interest burdens arising from persistent high interest rates in 2024. LMICs' interest payments reached an all-time high in 2024, increasing 2.2 percent to US$415.4 billion. However, the increase in interest payments was much smaller than the accumulation rate of export earnings and growth in economic activity. Consequently, LMICs' ratio of interest payments to export earnings improved slightly in 2024, to 4.2 percent, and the equivalent payments in terms of GNI remained stable at 1.1 percent, respectively. When China is excluded, LMICs' ratios of interest payments to exports earnings and to GNI remain almost stable at 5.0 and 1.5 percent, respectively.

The increase in interest payments on external debt obligations was more pronounced among middle-income countries excluding China than among low-income countries. As middle-income countries' interest payments increased 7.3 percent to US$284.1 billion in 2024, their interest payments relative to export earnings and GNI remained relatively stable at 5.0 percent and 1.5 percent, respectively. By contrast, low-income countries saw improvements in their respective ratios, with the ratio of interest payments to export earnings decreasing from 5.5 percent to 5.0 percent in 2024 and the ratio of interest payments to GNI decreasing slightly to 1.1 percent. Because low-income countries rely more heavily on concessional financing, their interest payment costs remained almost unchanged in 2024 at US$6.4 billion. Interest costs for middle-income countries (excluding China) were more dependent on market financing and recorded a higher increase in 2024. The five countries recording the highest interest payments on external debt relative to export earnings in 2024 were Mozambique, Senegal, Mongolia, Egypt, and Colombia; the five countries that recorded the highest interest payments relative to GNI were Mozambique, Mongolia, Angola, Senegal, and Lebanon.

## Trends in External Debt of IDA-Eligible Countries, 2014–24

The external debt stock of countries eligible for IDA assistance increased to an all-time high of US$1.2 trillion in 2024, 2.0 percent higher than the previous year. Over the past decade, the external debt stock of IDA-eligible countries has more than doubled, raising concerns about sustainability. Official creditors continue to account for a large share of long-term debt, equivalent to 63 percent of that stock. However, the fastest-growing component of public and publicly guaranteed external debt stock for these countries has been borrowing from bondholders, which rose to US$91.4 billion in 2024, equivalent to 9 percent of long-term debt stock (figure 1.14). Large-scale forgiveness of external debt obligations was also an important contributing factor to the outstanding debt of IDA-eligible

**Figure 1.14 Creditor Composition of IDA-Eligible Countries' Long-Term Public and Publicly Guaranteed External Debt during Crises, 2014–24**




*Source:* World Bank International Debt Statistics database.
*Note:* IDA = International Development Association; IMF = International Monetary Fund.

countries in 2024. Ghana, Haiti, the Federal Republic of Somalia, and Sri Lanka were among the IDA-eligible countries that implemented debt reorganization agreements with their bilateral creditors and bondholders, resulting in reductions in their 2024 debt outstanding positions in nominal terms in addition to the net present value reductions. For all countries involved, these agreements were significant; in specific cases like Haiti, they resulted in 70.5 percent reductions of long-term public debt.

Viewed from the borrower perspective, the composition of long-term debt stock, 75 percent PPG debt and 25 percent PNG debt, has remained relatively stable over the past decade. Whereas the debt stock of PPG borrowers increased 2.8 percent to US$816.5 billion in 2024, the debt stock of PNG borrowers decreased slightly to US$241.9 billion. The total external debt stock of IDA-eligible countries is quite concentrated, with the top seven borrowers accounting for over half of total IDA-eligible debt stock. Bangladesh, Nigeria, and Pakistan together account for close to 30 percent of IDA-eligible countries' debt stock; Mozambique, Senegal, Sri Lanka, and Uzbekistan together account for another 21 percent.

Total net debt inflows to IDA-eligible countries rose 18.6 percent to US$53.1 billion in 2024, driven by an increase in short-term net debt inflows (table 1.2). Short-term debt flows turned from an outflow of US$10.6 billion in 2023 to

**Table 1.2 Net Debt Inflows to IDA-Eligible Countries, 2014–24**

*US$ (billion)*

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net debt inflows | 62.1 | 50.3 | 45.2 | 81.1 | 66.4 | 73.4 | 77.5 | 84.7 | 48.8 | 44.7 | 53.1 |
| Long-term | 61.8 | 49.8 | 46.2 | 62.1 | 70.6 | 60.3 | 78.3 | 68.3 | 44.7 | 55.4 | 47.4 |
| Official creditors | 25.2 | 26.9 | 24.4 | 31.0 | 38.9 | 41.9 | 55.9 | 37.0 | 39.3 | 46.0 | 36.8 |
| Bilateral creditors | 14.4 | 12.8 | 11.9 | 14.7 | 22.0 | 17.7 | 14.9 | 15.0 | 8.0 | 11.1 | 1.7 |
| Multilateral creditors | 10.8 | 14.1 | 12.6 | 16.3 | 16.9 | 24.2 | 41.0 | 22.0 | 31.3 | 34.9 | 35.1 |
| World Bank | 6.8 | 7.2 | 6.7 | 7.9 | 9.4 | 11.7 | 13.3 | 11.1 | 15.2 | 16.7 | 18.3 |
| IMF | –0.2 | 1.6 | 1.0 | 0.5 | 0.2 | 1.7 | 15.2 | 3.2 | 3.7 | 5.3 | 6.9 |
| Private creditors | 36.6 | 22.9 | 21.8 | 31.1 | 31.7 | 18.4 | 22.4 | 31.4 | 5.4 | 9.3 | 10.6 |
| Bonds | 15.6 | 7.2 | 4.7 | 13.7 | 13.0 | 8.4 | 3.0 | 15.3 | –0.9 | –0.9 | 7.2 |
| Banks and other private | 21.0 | 15.6 | 17.0 | 17.4 | 18.8 | 10.0 | 19.5 | 16.1 | 6.3 | 10.2 | 3.4 |
| Short-term | 0.3 | 0.5 | –1.0 | 19.0 | –4.2 | 13.1 | –0.7 | 16.3 | 4.0 | –10.6 | 5.6 |
| *Memorandum item* | | | | | | | | | | | |
| Long-term PPG | 40.5 | 37.7 | 30.4 | 47.4 | 56.8 | 52.2 | 65.8 | 54.9 | 36.9 | 48.1 | 48.0 |
| Long-term PNG | 21.3 | 12.1 | 15.8 | 14.6 | 13.9 | 8.1 | 12.5 | 13.5 | 7.8 | 7.3 | –0.6 |

*Sources:* World Bank Debtor Reporting System, International Monetary Fund, and Bank for International Settlements.
*Note:* World Bank includes IBRD and IDA; IMF includes use of credit only; IBRD = International Bank for Reconstruction and Development; IDA = International Development Association; IMF = International Monetary Fund; PNG = private nonguaranteed; PPG = public and publicly guaranteed.

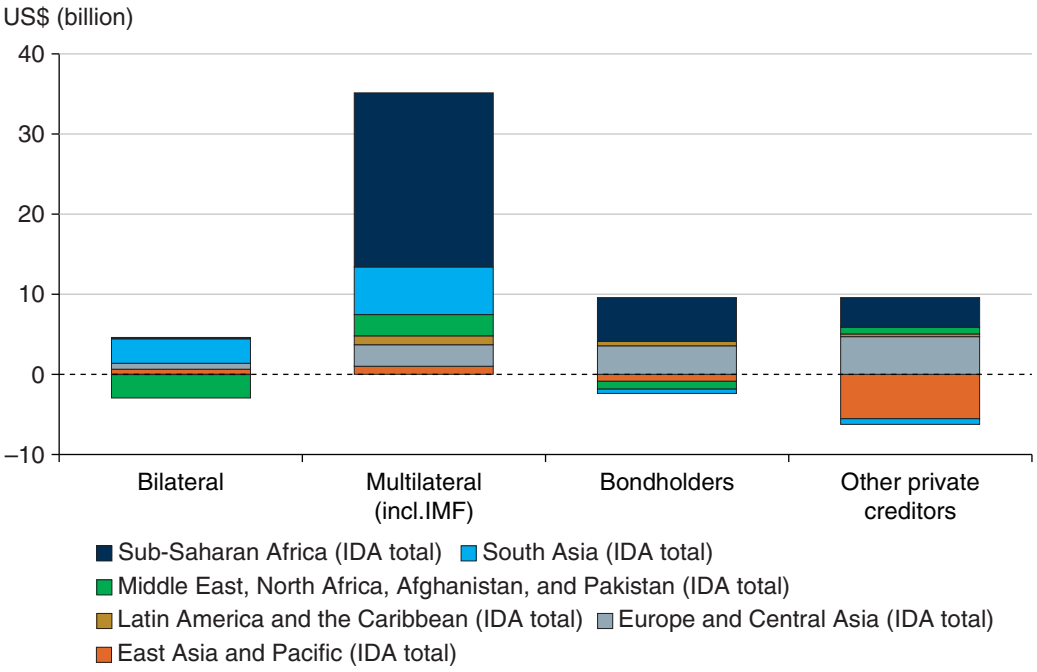
an inflow of US$5.6 billion in 2024. Although long-term debt flows decreased 14.4 percent in 2024, they remained positive at US$47.4 billion—and higher than their comparable 2022 figure. From a borrower perspective, long-term debt flows to PNG borrowers decreased and turned negative in 2024, from an inflow of US$7.3 billion to an outflow of US$567 million, driven by net flows to commercial banks and other private creditors that turned negative for the first time since 1999. Net flows to PPG borrowers remained constant at US$48.0 billion. Net debt inflows from multilateral creditors were the largest contributing component to PPG net debt flows in 2024, accounting for a 73 percent share of PPG net debt flows. The World Bank was the single largest provider of financing for IDA-eligible countries, accounting for over one-third of PPG net debt inflows in 2024. In volume terms, World Bank (IBRD and IDA) inflows were US$18.3 billion, up from US$16.7 billion the previous year. Additionally, the World Bank also provided US$7.5 billion in IDA grants in 2024, an increase of 10.9 percent.

Net debt inflows from bilateral creditors declined 84.8 percent in 2024 to US$1.7 billion, barely remaining positive and reaching a historic low not seen since 2007. Inflows from private creditors accounted for a 23.3 percent share of PPG net debt inflows, up sharply from 4.3 percent in 2023 but well below the

29 percent average share recorded during the first half of the last decade, from 2014 to 2019. Net flows from banks and other private creditors increased one and half times in 2024, to US$4.1 billion. Bondholders were the fastest-growing component of PPG net debt flows, reversing from an outflow of US$730.4 million in 2023 to an inflow of US$7.1 billion in 2024. The increase, not seen since the US$11.1 billion jump in 2021, was the result of new issuances in 2024, which outpaced the rate of increase in PPG bond principal repayments (figure 1.15).

Public sector entities of nine IDA-eligible countries issued bonds in international markets in 2024, recording a total of US$12.9 billion in new bond disbursements and marking a significant improvement in investor confidence combined with sovereigns' renewed objectives to fund investment needs and support budget operations. The increase is significant compared to 2022 and 2023, but still lower than the US$19 billion issuance recorded in 2021. Côte d'Ivoire was the first IDA-eligible country to issue a bond in 2024 and to reopen issuance in international markets after a one-year pause for IDA-eligible countries in the Sub-Saharan Africa region. In 2024, Uzbekistan issued a record US$4.1 billion of PPG bonds from the government and state-owned enterprises. The combined issuance was the highest for IDA-eligible countries in 2024 and a record for the country's bond market. The sovereign Eurobond issue was diversified in euros and US dollars,

**Figure 1.15 Net Flows to IDA-Eligible Countries, by Region and Creditor Type, 2024**

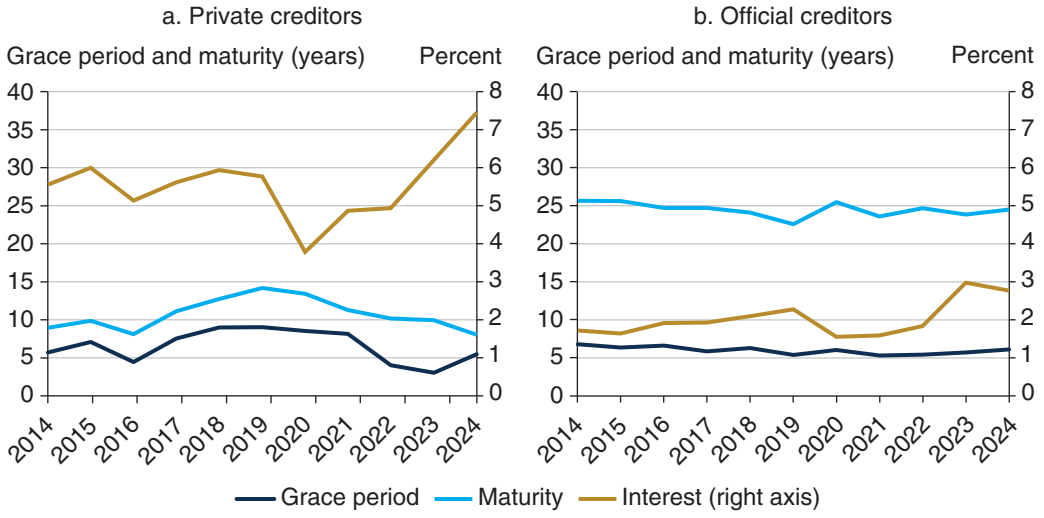



*Source:* World Bank International Debt Statistics database.
*Note:* IDA = International Development Association; IMF = International Monetary Fund.

and a portion was also issued in local currency of Uzbek som. In 2024, Nigeria and Kenya also returned to international markets after one- and two-year pauses, respectively. Nigeria successfully raised US$2.2 billion in Eurobonds to help fund its budget deficit; Kenya issued a US$1.5 billion Eurobond to partially pay back its maturing 2024 bond. Both countries' issuances were at higher interest rates than in the past, with Nigeria's tranches issued at 9.625 and 10.375 percent, respectively, and Kenya's issuance recording a high coupon rate of 9.75 percent. Benin, Dominica, Eswatini, Honduras, and Senegal were the other IDA-eligible countries accessing international markets in 2024.

New external loan commitments to public sector entities in IDA-eligible countries totaled US$74.9 billion in 2024, 16.1 percent lower than the comparable 2023 figure. New commitments from official creditors, which offer loans on concessional terms or more favorable terms than the market, decreased 32 percent to US$52.6 billion. The average interest rate on new commitments from this creditor base decreased slightly to 2.78 percent in 2024, and the average maturity increased by one year to an average of 25 years (figure 1.16). Meanwhile, new external commitments to public sector entities from private creditors, bonds, and syndicated commercial bank loans almost doubled in 2024, to US$22.3 billion. Overall, they accounted for 30 percent of the total new commitments to public entity borrowers. Financing from this creditor base is more costly and of shorter maturity than that provided by official creditors. The average interest rate of new financing from private creditors increased 1.24 percentage points in 2024, to 7.45 percent, and the average maturity was shortened by two years, to an average

**Figure 1.16 Average Terms on New External Debt Commitments for IDA-Eligible Countries, by Creditor Type, 2014–24**




*Source:* World Bank International Debt Statistics database.

of eight years. Extended borrowing from this creditor group underscores debt sustainability concerns for IDA-eligible countries given that the terms of these obligations have on average become more costly to finance.

The cost of servicing debt recorded an all-time high for the second year in a row for IDA-eligible countries. Total debt service payments (interest plus principal) increased 16.5 percent in 2024, to US$118.1 billion. Interest payments accounted for 33.5 percent of these payments, also at an all-time high of US$39.5 billion (a 10.5 percent increase); principal payments accounted for 66.5 percent of the payments, recording an all-time high of US$78.5 billion (a 19.8 percent increase from the previous year).

The principal repayment, driven by both PPG and PNG borrowers, increased 18.9 percent to US$45.8 billion and by 21.0 percent to US$32.7 billion, respectively, in 2024. PPG bond principal repayments increased from US$1.9 billion to US$5.9 billion in 2024. Kenya's US$2 billion bond repayment in 2024 accounted for 34 percent of these payments. PPG borrowers' principal repayments to commercial banks and other private creditors decreased 10.2 percent in 2024, to US$6.9 billion. Principal repayments to PPG borrowing from official creditors increased 14 percent in 2024, with bilateral creditors receiving US$14.0 billion of these payments, a 1.1 percent increase, and multilateral creditors receiving US$19 billion, a 25.8 percent increase.

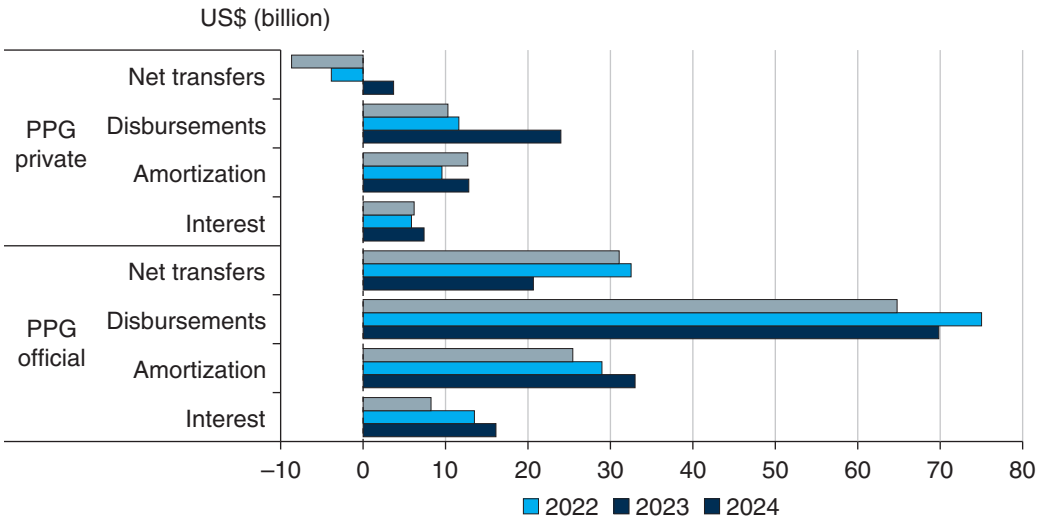
As interest rates remained elevated in 2024, the cost of financing existing and new obligations negatively affected IDA-eligible borrowers. The increase in total interest payments on external debt obligations was driven by increases in borrowing by the PPG sector, which rose 21.4 percent to US$23.6 billion. The biggest volume of interest payments went from PPG borrowers to multilateral creditors, at US$10.6 billion in 2024, reflecting the significant increases in lending by the World Bank's IDA during the pandemic when other creditors were retreating; however, the interest rate paid to this lender was a modest 1.1 percent in 2024, compared with a much larger average of 8.2 percent for bondholders. Consequently, interest payments to private creditors also affected the increase in overall PPG interest payments. Interest payments to bondholders, which accounted for 22 percent of the payments, increased 23.1 percent in 2024 to US$5.1 billion, and interest payments to commercial banks and other private creditors increased 33 percent to US$2.3 billion.

Among IDA-eligible countries, net debt transfers to PPG borrowers decreased 14.9 percent, to US$24.4 billion in 2024. The overall increase in debt service payments and decrease in new disbursements led to a decrease in official net transfers to PPG borrowers of IDA-eligible countries in 2024. Net transfers from

this creditor base remained positive at US$20.7 billion but decreased 36.4 percent from the previous year (figure 1.17). Conversely, net transfers from private creditors to PPG borrowers reversed from a net outflow of US$3.8 billion to a net inflow of US$3.7 billion in 2024. This reversal was driven by a more than twofold increase in new disbursements from this creditor base, which increased at a much faster pace than total debt service payments.

Total debt service of IDA-eligible countries, measured relative to GNI and export earnings, deteriorated in 2024. The 16.5 percent growth in total debt service payments to US$118.1 billion outpaced the 7.7 percent increase in export earnings to US$656.3 billion, and 1.2 percent growth in GNI to US$2.8 trillion. Consequently, the ratio of total debt service to GNI increased to 4.2 percent, compared to 3.7 percent the previous year, and the ratio of total debt service to export earnings increased 1.4 percentage points to 18 percent. Because the cost of servicing total debt remains large, countries eligible for IDA support face growing challenges of fiscal space for shock absorption and financing of development needs. Haiti, the Lao People's Democratic Republic, Mozambique, Pakistan, Papua New Guinea, and Senegal had the largest total debt service-to-export ratios in 2024; Mozambique, Papua New Guinea, Suriname, and Zambia had the largest total debt service-to-GNI ratios.

**Figure 1.17 Net Transfers on Public and Publicly Guaranteed Debt in IDA-Eligible Countries, by Creditor Type, 2022–24**




*Source:* World Bank International Debt Statistics database.
*Note:* IDA = International Development Association; PPG = public and publicly guaranteed.

# Regional Perspectives

## EAST ASIA AND PACIFIC

*Net debt inflows to the region increased to US$9.9 billion in 2024 (table 1.3), driven by a combined improvement in China's net long-term debt outflows to US$38 billion and a 159.7 percent increase in net debt flows of the region's other countries to US$29.4 billion.*

China, the largest borrower among LMICs, accounted for 71 percent of the combined end-2024 external debt of countries in the East Asia and Pacific (EAP) region. China's external debt stock fell a further 1.1 percent in 2024 to US$2.42 trillion. In other countries in the region, external debt stock rose on

**Table 1.3 External Debt Stock and Net Financial Flows and Transfers, East Asia and Pacific, 2014–24**

*US$ (billion)*

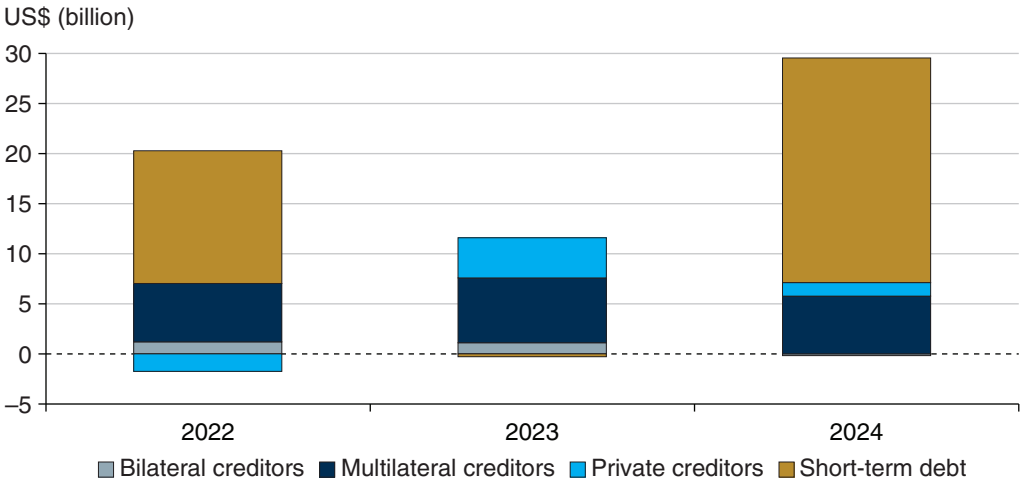
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **External debt stocks** | **2,444.8** | **2,004.5** | **2,111.8** | **2,489.0** | **2,798.1** | **2,993.0** | **3,263.9** | **3,697.0** | **3,496.6** | **3,416.7** | **3,409.4** |
| as % of GNI | 19.4 | 15.2 | 15.7 | 16.9 | 17.0 | 17.6 | 18.9 | 17.9 | 16.7 | 16.2 | 15.7 |
| **Net debt inflows** | **288.5** | **–374.8** | **47.0** | **396.2** | **340.8** | **186.2** | **260.5** | **394.9** | **–158.7** | **–71.1** | **9.9** |
| Official creditors | 4.8 | 3.9 | 1.0 | 1.0 | 4.3 | 2.1 | 14.5 | 7.1 | 5.5 | 6.2 | 3.1 |
| Bilateral | 2.2 | –1.9 | –2.9 | –2.8 | –1.0 | –2.9 | 1.8 | –0.6 | 0.0 | 0.5 | –0.4 |
| Multilateral | 2.6 | 5.8 | 3.8 | 3.8 | 5.3 | 5.0 | 12.7 | 7.7 | 5.5 | 5.7 | 3.5 |
| Private creditors | 124.9 | 62.0 | 61.1 | 137.3 | 152.5 | 196.6 | 203.4 | 247.9 | –75.5 | –99.2 | –34.1 |
| Long-term | 129.7 | 65.9 | 62.1 | 138.2 | 156.9 | 198.7 | 217.9 | 255.0 | –70.0 | –93.0 | –31.0 |
| Public and publicly guaranteed | 41.1 | 21.4 | 26.5 | 66.1 | 98.6 | 85.9 | 91.0 | 175.1 | –17.6 | –33.0 | 39.8 |
| Private nonguaranteed | 88.6 | 44.4 | 35.5 | 72.1 | 58.3 | 112.9 | 126.9 | 79.9 | –52.4 | –60.1 | –70.8 |
| Short-term | 158.8 | –440.6 | –15.1 | 258.0 | 183.9 | –12.6 | 42.6 | 139.9 | –88.7 | 21.9 | 40.9 |
| **Net debt transfers** | **228.8** | **–444.6** | **–9.5** | **312.2** | **234.9** | **64.8** | **143.5** | **264.9** | **–289.8** | **–243.8** | **–156.1** |
| Official creditors | 1.0 | 0.1 | –2.7 | –2.9 | –0.2 | –3.5 | 10.4 | 4.2 | 1.1 | –3.9 | –8.1 |
| Bilateral | –0.2 | –4.4 | –5.0 | –4.7 | –3.0 | –5.1 | 0.1 | –2.0 | –1.4 | –0.9 | –1.9 |
| Multilateral | 1.3 | 4.6 | 2.3 | 1.8 | 2.8 | 1.7 | 10.4 | 6.2 | 2.5 | –3.0 | –6.2 |
| Private creditors | 29.5 | 9.6 | 16.9 | 54.6 | 80.5 | 66.5 | 57.3 | 142.2 | –53.5 | –73.0 | 11.4 |
| Long-term | 105.2 | 31.0 | 33.0 | 102.9 | 109.1 | 140.5 | 164.7 | 190.9 | –138.3 | –174.6 | –104.8 |
| Public and publicly guaranteed | 30.5 | 9.7 | 14.1 | 51.8 | 80.3 | 63.0 | 67.7 | 146.4 | –52.4 | –76.8 | 3.3 |
| Private nonguaranteed | 74.7 | 21.3 | 18.9 | 51.2 | 28.9 | 77.5 | 97.0 | 44.6 | –85.9 | –97.7 | –108.1 |

*Source:* World Bank International Debt Statistics database.
*Note:* GNI = gross national income.

average 2.1 percent to US$989.5 billion. The long-term debt stock in other EAP countries declined marginally, but short-term debt rose 12.7 percent to US$201.7 billion, driven by a 29.1 percent rise in Indonesia's short-term debt to US$65.1 billion, equivalent to 15.5 percent of the country's end-2024 external debt stock. The sharp jump reflects the Bank of Indonesia's issuance of short-term securities (Bank Indonesia Rupiah Securities or SRBI) introduced in August 2023 as a measure to support monetary policy, defend the value of the rupiah during periods of market volatility, and attract foreign capital. These securities are issued with variable interest rates at 6-, 9-, and 12-month tenors and offered to domestic and nonresident investors.

Net debt inflows to the EAP region totaled US$9.9 billion in 2024, a sharp reversal from the net outflow of US$71.1 billion recorded in 2023. The turnaround was driven by a sharp increase in inflows to the Chinese bond markets from nonresident investors and borrowing from other private creditors by Chinese public and private sector entities. Consequently, net long-term outflows from China fell to US$38 billion in 2024 from US$104.6 billion in 2023. Excluding China, net debt inflows to the region were US$29.4 billion in 2024, 159.7 percent higher than the US$11.3 billion recorded in 2023 (figure 1.18). Close to half of the 2024 inflows were short-term debt inflows to Indonesia, which rose to US$14.3 billion, from an average of US$1.6 billion in 2022 and 2023. Long-term debt inflows fell 39.9 percent to US$7 billion in 2024 because of a 66.3 percent fall in net inflows from private creditors, to US$1.4 billion. Inflows from official creditors (US$5.6 billion) accounted for 80.6 percent of net long-term inflows to the EAP region in 2024 and were all from multilateral creditors.

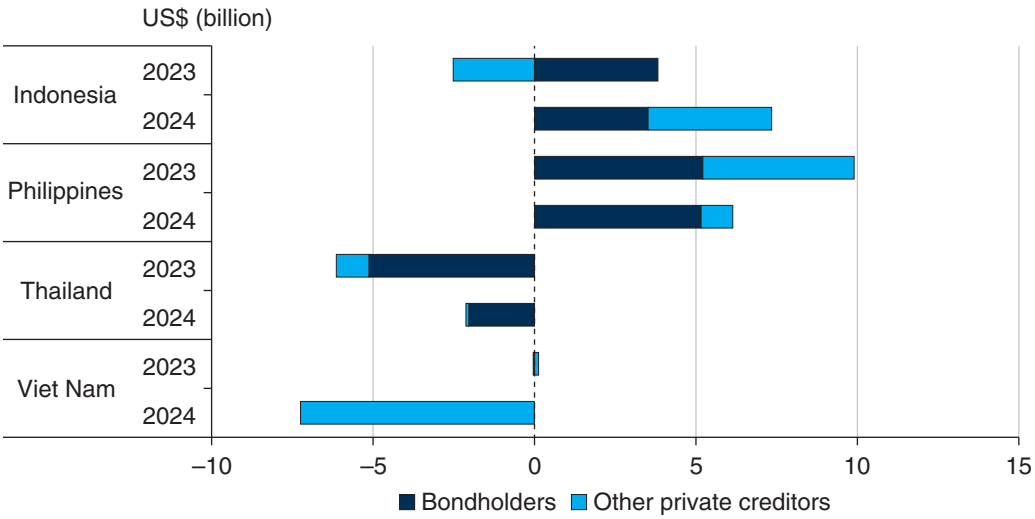
**Figure 1.18 Net Debt Flows for East Asia and Pacific Countries (Excluding China), by Creditor Type, 2022–24**




*Source:* World Bank International Debt Statistics database.

The sharp 66.3 percent fall in net long-term debt inflows from private creditors to the region in 2024, excluding China, masked divergent trends in inflows from bondholders and other private creditors in aggregate and for individual countries. Net inflows from bondholders more than doubled in 2024 to US$6.8 billion from US$3.2 billion in 2023, with inflows to the Philippines and Indonesia, the largest recipients, of US$5.2 billion and US$3.5 billion, respectively, offset by outflows of US$2 billion to Thailand (figure 1.19). In contrast to bonds, flows from other private creditors registered an outflow of US$5.5 billion in 2024 compared to an inflow of US$0.8 billion in 2023. This turnaround was largely explained by Viet Nam, which recorded outflows from other private creditors of US$7.2 billion in 2024. The Philippines also recorded a sharp contraction in inflows from private creditors in 2024, but these inflows remained positive at US$985 million, down from US$4.7 billion in 2023. In Indonesia, inflows from other private creditors of US$3.8 billion in 2024 were in marked contrast to outflows of US$2.5 billion in 2023.

**Figure 1.19 Net Long-Term Debt Inflows from Private Creditors to Select East Asia and Pacific Countries, 2023 and 2024**




*Source:* World Bank International Debt Statistics database.

## EUROPE AND CENTRAL ASIA

*Net debt flows recorded an inflow of US$53.1 billion, a 38 percent drop from the previous year, whereas net transfers turned into a US$91.3 million outflow in 2024 (table 1.4).*

Short-term debt flows in the Europe and Central Asia (ECA) region decreased by a factor of seven in 2024, to US$4.5 billion, and long-term debt flows decreased by 10 percent to US$48.6 billion. Much of this shift was attributable to ECA's largest borrower, Türkiye, which accounted for 44 percent of the region's total outstanding external debt and where net short-term debt flows plunged 87.9 percent to US$3.3 billion in 2024. The decrease was the result of a milestone liability management transaction, involving the swap of short-term treasury bonds for a new 10-year bond issuance of US$3.5 billion. Net short-term debt

**Table 1.4 External Debt Stock and Net Financial Flows and Transfers, Europe and Central Asia, 2014–24**

*US$ (billion)*

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **External debt stocks** | **883.6** | **854.1** | **866.7** | **933.9** | **913.2** | **926.7** | **980.5** | **1,003.7** | **1,040.8** | **1,135.8** | **1,169.3** |
| as % of GNI | 52.2 | 57.4 | 61.0 | 63.9 | 63.9 | 63.5 | 69.4 | 61.9 | 58.4 | 54.3 | 49.2 |
| **Net debt inflows** | **34.7** | **–43.2** | **19.3** | **58.4** | **–3.9** | **13.2** | **40.7** | **19.7** | **47.1** | **85.6** | **53.1** |
| Official creditors | 10.5 | 12.4 | 8.3 | 8.2 | 3.3 | 1.0 | 7.6 | 5.0 | 24.2 | 30.8 | 33.9 |
| Bilateral | 4.9 | 2.6 | 2.9 | 3.9 | 2.2 | 2.3 | 0.1 | 0.9 | 4.8 | 1.1 | 5.7 |
| Multilateral | 5.6 | 9.8 | 5.4 | 4.3 | 1.1 | –1.3 | 7.5 | 4.1 | 19.4 | 29.8 | 28.3 |
| Private creditors | 39.6 | –8.4 | 25.8 | 28.5 | 9.1 | 5.5 | 15.1 | 4.2 | –11.2 | 23.2 | 14.7 |
| Long-term | 50.2 | 4.0 | 34.2 | 36.7 | 12.4 | 6.5 | 22.7 | 9.2 | 13.0 | 54.0 | 48.6 |
| Public and publicly guaranteed | 19.3 | 19.2 | 15.0 | 15.1 | 10.5 | 12.4 | 21.8 | 16.9 | 23.6 | 39.3 | 45.2 |
| Private nonguaranteed | 30.8 | –15.2 | 19.2 | 21.6 | 1.9 | –6.0 | 0.9 | –7.6 | –10.6 | 14.7 | 3.4 |
| Short-term | –15.5 | –47.2 | –14.9 | 21.7 | –16.4 | 6.7 | 18.1 | 10.4 | 34.1 | 31.7 | 4.5 |
| **Net debt transfers** | **3.6** | **–70.2** | **–6.9** | **28.5** | **–33.2** | **–18.1** | **9.5** | **–11.6** | **12.8** | **40.0** | **–0.1** |
| Official creditors | 8.1 | 10.0 | 5.6 | 5.0 | –0.3 | –3.1 | 4.1 | 1.9 | 20.5 | 23.1 | 24.6 |
| Bilateral | 3.9 | 1.6 | 1.7 | 2.6 | 0.8 | 0.7 | –1.5 | –0.6 | 3.3 | –1.0 | 3.5 |
| Multilateral | 4.2 | 8.4 | 3.9 | 2.4 | –1.0 | –3.7 | 5.5 | 2.5 | 17.1 | 24.1 | 21.1 |
| Private creditors | 1.8 | 0.1 | –0.5 | –0.7 | –0.5 | 2.5 | 4.7 | 1.6 | –10.1 | –1.6 | –0.3 |
| Long-term | 27.4 | –18.5 | 12.1 | 13.0 | –11.3 | –19.4 | –3.2 | –16.7 | –13.0 | 19.5 | 6.6 |
| Public and publicly guaranteed | 9.9 | 10.1 | 5.1 | 4.3 | –0.8 | –0.6 | 8.8 | 3.4 | 10.4 | 21.5 | 24.3 |
| Private nonguaranteed | 17.5 | –28.6 | 7.0 | 8.7 | –10.5 | –18.7 | –12.0 | –20.1 | –23.4 | –2.0 | –17.7 |

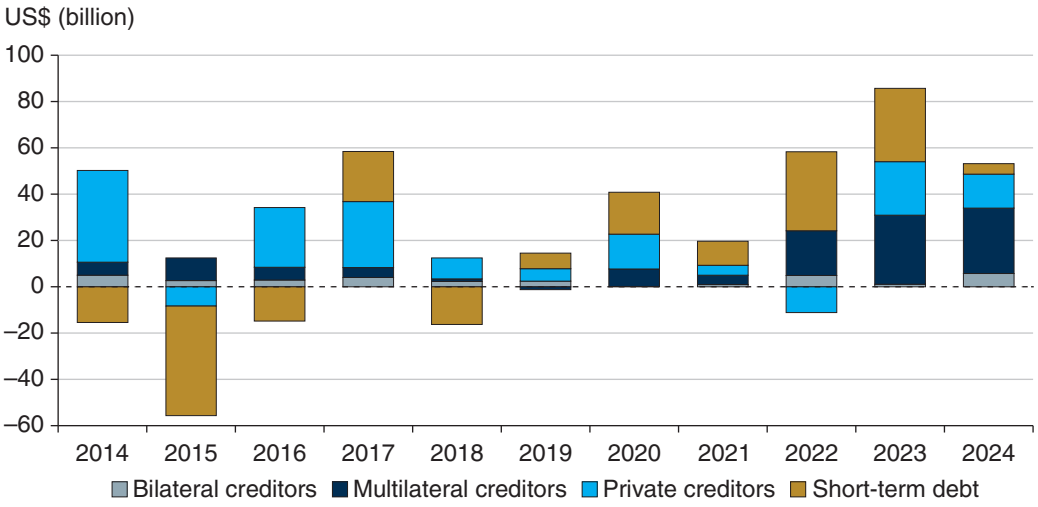
*Source:* World Bank International Debt Statistics database.
*Note:* GNI = gross national income.

flows also fell in Uzbekistan, where they reversed from an inflow of US$657.6 million to an outflow of US$1.2 billion in 2024.

Long-term net flows to public sector borrowers increased 15.2 percent in 2024, to US$45.2 billion, reflecting increased multilateral support for Ukraine and increases in debt flows from bilateral creditors and bondholders. Net flows from multilateral creditors to public sector entities in the region decreased 7.6 percent to US$25.9 billion in 2024 but remained the largest source of inflows at 58 percent of long-term obligations (figure 1.20). Ukraine accounted for most of these net inflows, equivalent to 89.8 percent of multilateral net inflows. Multilateral financial support for Ukraine has reached unprecedented levels since the start of its invasion by the Russian Federation in February 2022. The European Union has provided a cumulative US$41.7 billion in disbursements of new financing during the 2022–24 period, followed by the World Bank (IBRD and IDA combined support) at US$17.7 billion, and the IMF at US$12.5 billion. During this period, the World Bank Group has offered a range of financial instruments and support to help the government of Ukraine sustain essential public services, rebuild critical infrastructure, and support the private sector, such as through trust funds, financial intermediaries, guarantees, co- and parallel financing, and other financial instruments.[3]

After being hit hard by the COVID-19 pandemic and its aftermath, ECA saw strong recovery of bond issuance by public and private sectors in 2024. Bondholders were the second largest positive contributors to long-term net flows in the region, increasing more than threefold to US$18.4 billion in 2024, and

**Figure 1.20 Net Debt Flows to Europe and Central Asia, by Creditor Type, 2014–24**

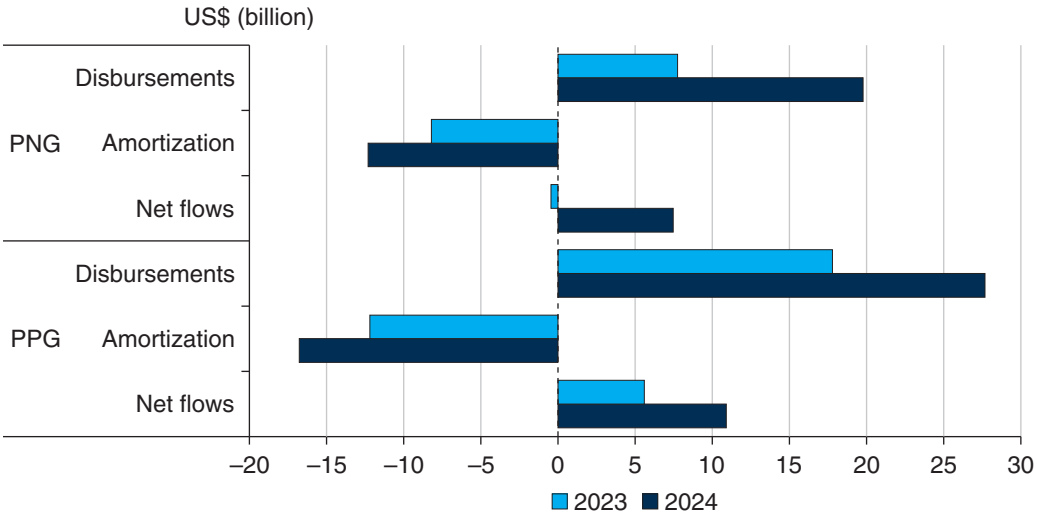



*Source:* World Bank International Debt Statistics database.

accounting for 37.8 percent of the region's long-term inflows. The increase was driven by new bond issuances from both public sector borrowers, which increased 55.6 percent to US$27.7 billion in 2024, and issuances from PNG borrowers, which more than doubled to US$19.8 billion (figure 1.21). Türkiye was ECA's largest new issuer, recording a 43.9 percent increase to US$19.8 billion in 2024 from public sector borrowers and an almost threefold increase to US$16.6 billion from PNG borrowers. Türkiye's 2024 new bond issuances included the country's first ever blue and green bond package, and a milestone maturity swap operation of short-term bonds for the new 10-year, US$3.5 billion issuance.

The region also had the sharpest increase among all regions in net debt flows from official creditors, up nearly 10.1 percent to US$33.9 billion. This rise occurred in large part because of the increase in bilateral creditors, which rose fivefold to US$5.7 billion. The principal driver was Türkiye, where disbursements almost doubled in 2024 to US$4.1 billion and principal repayments from maturing obligations decreased 71.5 percent to US$686.3 million.

**Figure 1.21 Bond Flows to Europe and Central Asia, by Borrower Type, 2023 and 2024**




*Source:* World Bank International Debt Statistics database.
*Note:* PNG = private nonguaranteed; PPG = public and publicly guaranteed.

## LATIN AMERICA AND THE CARIBBEAN

*Net debt flows fell 70.5 percent in 2024, to US$19.4 billion, the lowest level since 2007, as net debt transfers plunged to an outflow of US$78.0 billion in 2024 (table 1.5).*

At the creditor level in Latin America and the Caribbean (LAC), the decline of long-term net debt flows was most pronounced in public sector borrowing from bondholders, which nearly halved to US$12.9 billion in 2024, and public and private sector borrowing from commercial banks and other private creditors, which decreased 82.1 percent to US$2.1 billion (figure 1.22). Mexico was the primary driver of the decline in public sector borrowing from bondholders,

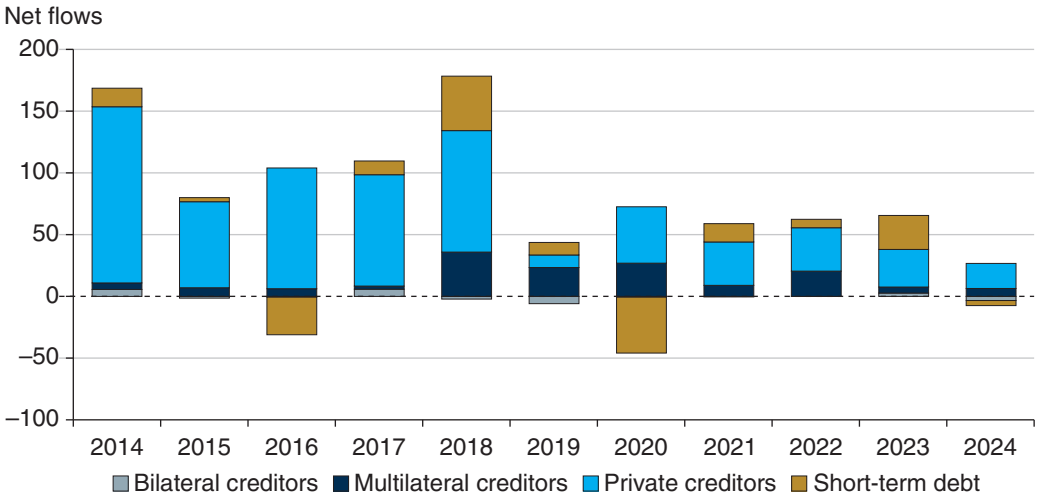
**Table 1.5 External Debt Stock and Net Financial Flows and Transfers, Latin America and the Caribbean, 2014–24**

*US$ (billion)*

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **External debt stocks** | **1,579.1** | **1,599.5** | **1,632.9** | **1,728.2** | **1,837.1** | **1,879.7** | **1,878.6** | **1,922.1** | **1,942.1** | **2,007.3** | **2,000.4** |
| as % of GNI | 30.4 | 36.4 | 38.5 | 36.5 | 40.2 | 41.8 | 49.7 | 44.0 | 38.6 | 35.4 | 34.5 |
| **Net debt inflows** | **168.5** | **78.6** | **72.8** | **109.6** | **176.3** | **37.6** | **26.7** | **58.5** | **62.4** | **65.5** | **19.4** |
| Official creditors | 10.8 | 5.6 | 5.5 | 8.3 | 33.7 | 17.4 | 26.4 | 8.5 | 20.3 | 7.6 | 2.9 |
| Bilateral | 5.6 | –1.4 | –0.6 | 5.8 | –2.1 | –6.0 | –0.6 | –0.4 | 0.0 | 2.6 | –3.3 |
| Multilateral | 5.2 | 7.0 | 6.1 | 2.4 | 35.8 | 23.4 | 26.9 | 8.9 | 20.3 | 5.0 | 6.3 |
| Private creditors | 142.7 | 69.5 | 97.9 | 90.2 | 98.5 | 10.1 | 45.6 | 35.1 | 35.2 | 30.4 | 20.4 |
| Long-term | 153.5 | 75.2 | 103.3 | 98.4 | 132.2 | 27.5 | 72.0 | 43.6 | 55.5 | 38.0 | 23.4 |
| Public and publicly guaranteed | 92.9 | 37.5 | 67.0 | 60.1 | 82.3 | 25.9 | 72.6 | 15.3 | 35.5 | 23.6 | 20.3 |
| Private nonguaranteed | 60.6 | 37.6 | 36.3 | 38.3 | 49.9 | 1.6 | –0.7 | 28.3 | 20.0 | 14.4 | 3.1 |
| Short-term | 15.0 | 3.4 | –30.6 | 11.2 | 44.1 | 10.1 | –45.3 | 15.0 | 6.9 | 27.5 | –4.0 |
| **Net debt transfers** | **114.9** | **19.3** | **2.2** | **32.0** | **96.5** | **–49.5** | **–41.7** | **–19.2** | **–6.0** | **–30.9** | **–78.0** |
| Official creditors | 6.0 | 0.8 | –0.1 | 2.1 | 27.1 | 8.0 | 19.1 | 1.6 | 11.5 | –9.8 | –16.9 |
| Bilateral | 4.0 | –3.1 | –2.4 | 3.9 | –3.7 | –7.8 | –1.7 | –2.1 | –1.3 | 1.3 | –5.1 |
| Multilateral | 2.0 | 3.9 | 2.3 | –1.8 | 30.8 | 15.7 | 20.8 | 3.7 | 12.7 | –11.1 | –11.7 |
| Private creditors | 58.9 | 3.6 | 28.5 | 10.7 | 12.0 | –32.4 | 15.4 | –24.8 | –12.0 | –14.1 | –16.1 |
| Long-term | 104.1 | 20.2 | 37.5 | 26.3 | 60.0 | –51.5 | 8.5 | –29.0 | –4.5 | –44.8 | –61.3 |
| Public and publicly guaranteed | 64.9 | 4.4 | 28.4 | 12.8 | 39.1 | –24.4 | 34.6 | –23.2 | –0.5 | –23.9 | –33.0 |
| Private nonguaranteed | 39.2 | 15.8 | 9.1 | 13.5 | 20.9 | –27.0 | –26.1 | –5.9 | –4.0 | –20.9 | –28.3 |

*Source:* World Bank International Debt Statistics database.
*Note:* GNI = gross national income.

**Figure 1.22** Net Debt Flows to Latin America and the Caribbean, by Creditor Type, 2014–24




*Source:* World Bank International Debt Statistics database.

which despite a strong issuance start in January 2024 saw disbursements of new financing almost halved to US$13.3 billion in 2024; maturing obligations raised principal payments by almost fourfold to US$18.1 billion. The decrease in borrowing from commercial banks and other private creditors was driven by Brazil, which recorded a drop in new disbursements by more than a factor of three, from a high of US$191.7 billion to US$60.1 billion in 2024. Principal repayments to the country also decreased, by a smaller volume, to US$73.7 billion.

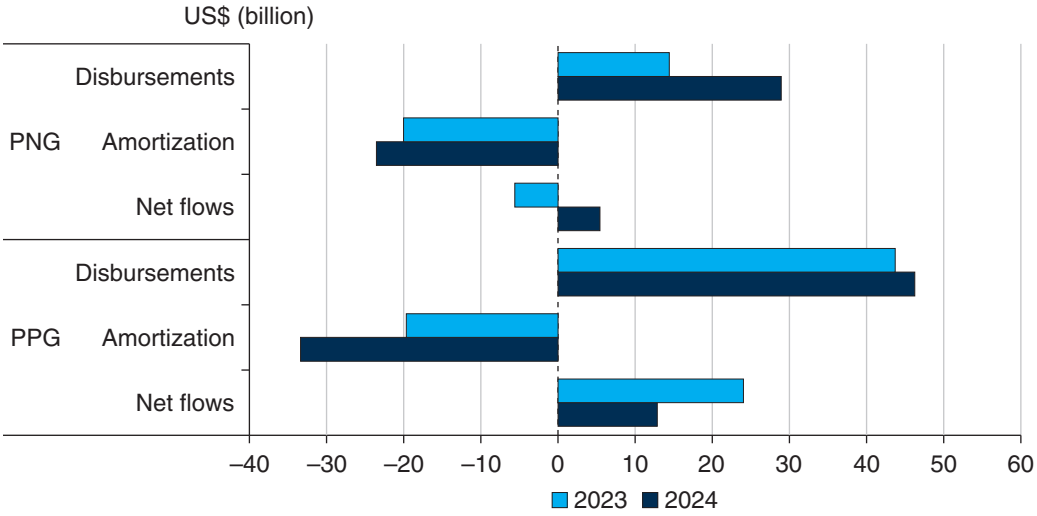
Net debt flows of private sector borrowers from bondholders in the LAC region bounced back in 2024, reversing from an outflow of US$5.6 billion to an inflow of US$5.4 billion (figure 1.23). Disbursements from new financing more than doubled in 2024, outpacing the 17.5 percent increase in principal repayments, driven by net debt flows improvements in Brazil, Mexico, and Peru. Multilateral creditors were the only other category of creditors to post an increase in 2024, up 26 percent over the 2023 level. Most of the increase was attributable to the World Bank's IBRD and the Inter-American Development Bank. With regard to bilateral creditors, 2024 marked a sharp reversal of the upward trajectory of flows observed in 2023, instead registering an outflow of US$3.3 billion.

The LAC region recorded the second largest interest payments on total external debt obligations in 2024, at US$97.3 billion, second only to the EAP region at US$166.0 billion, and the overall largest interest payments made by public sector borrowers. The LAC region also accounted for the largest total payments of any region, when China is excluded from the EAP region. Whereas interest payments

from private nonguaranteed borrowers in the region declined 11.6 percent to US$31.3 billion in 2024, public sector entities paid 12.4 percent more than they did in 2023, at US$53.2 billion. The largest payments were made by public sector borrowers in Argentina, Brazil, and Mexico, which together accounted for 65.4 percent of interest payments in the region made by this borrower base.

The region's creditors received an all-time high of US$78.0 billion more in debt service payments than they disbursed in new financing in 2024. Net transfers to public and private sector entities continued to deteriorate in 2024, recording net outflows for the fourth year in a row because of the combined effect of decreasing net flows to the region and large and increasing interest payments for public sector borrowers. Brazil recorded the largest net outflow in net transfers of US$27.5 billion in 2024, accounting for 35.3 percent of the region's outflows. The 2024 increase in outflows was driven by borrowing by the PNG sector from private creditors, through the combined effect of a 76.5 percent decrease in new disbursements to US$44.2 billion, the lowest since 2008 financial crisis, and a 69.7 percent decrease in principal repayments to US$52.7 billion. Mexico and Argentina recorded the region's next largest outflows in net transfers at US$20 billion and US$16 billion, respectively.

**Figure 1.23 Bond Flows to Latin America and the Caribbean, by Borrower Type, 2023 and 2024**




*Source:* World Bank International Debt Statistics database.
*Note:* PNG = private nonguaranteed; PPG = public and publicly guaranteed.

## MIDDLE EAST, NORTH AFRICA, AFGHANISTAN, AND PAKISTAN

*Note:* In June 2025 the World Bank reclassified Afghanistan and Pakistan from its South Asia region to the Middle East, North Africa, Afghanistan, and Pakistan region.

*Net debt flows reversed to an outflow of US$4.1 billion in 2024, from an inflow of US$11.9 billion the previous year, the lowest level since the 2008 financial crisis (table 1.6). Net debt transfers plunged even more, to an outflow of US$29.0 billion in 2024.*

Net debt flows to the Middle East, North Africa, Afghanistan, and Pakistan region turned negative in 2024, from an inflow of US$11.9 billion in 2023 to an outflow of US$4.1 billion. These flows were heavily concentrated in Egypt,

**Table 1.6 External Debt Stock and Net Financial Flows and Transfers, Middle East, North Africa, Afghanistan, and Pakistan, 2014–24**

*US$ (billion)*

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **External debt stocks** | **310.8** | **331.0** | **368.9** | **424.4** | **453.0** | **482.6** | **520.2** | **556.6** | **563.1** | **578.7** | **561.2** |
| as % of GNI | 17.0 | 19.5 | 21.1 | 24.2 | 25.9 | 28.3 | 33.3 | 30.3 | 27.6 | 29.7 | 27.3 |
| **Net debt inflows** | **17.3** | **29.0** | **40.5** | **42.0** | **31.7** | **31.2** | **25.7** | **25.0** | **17.2** | **11.9** | **–4.1** |
| Official creditors | 4.7 | 13.6 | 23.7 | 16.2 | 13.2 | 16.0 | 22.6 | 6.1 | 7.6 | 5.5 | –2.0 |
| Bilateral | 0.5 | 5.2 | 9.4 | 6.6 | 8.9 | 5.6 | 2.5 | 1.2 | 0.4 | 3.9 | –3.7 |
| Multilateral | 4.2 | 8.3 | 14.3 | 9.6 | 4.3 | 10.4 | 20.1 | 4.9 | 7.2 | 1.6 | 1.6 |
| Private creditors | 7.9 | 13.1 | 4.9 | 23.2 | 24.4 | 8.8 | 1.3 | 9.5 | –9.4 | 4.5 | –3.6 |
| Long-term | 12.6 | 26.7 | 28.6 | 39.4 | 37.6 | 24.7 | 23.9 | 15.6 | –1.7 | 10.0 | –5.7 |
| Public and publicly guaranteed | 10.2 | 23.0 | 24.7 | 33.0 | 28.9 | 25.8 | 33.0 | 19.6 | 1.2 | 11.0 | –6.5 |
| Private nonguaranteed | 2.4 | 3.7 | 3.9 | 6.5 | 8.7 | –1.0 | –9.1 | –3.9 | –3.0 | –1.0 | 0.9 |
| Short-term | 4.8 | 2.3 | 11.9 | 2.6 | –5.9 | 6.5 | 1.8 | 9.4 | 19.0 | 1.9 | 1.5 |
| **Net debt transfers** | **10.4** | **21.6** | **31.7** | **31.6** | **18.2** | **16.2** | **14.3** | **13.6** | **0.8** | **–12.1** | **–29.0** |
| Official creditors | 1.9 | 10.9 | 20.8 | 12.7 | 8.6 | 10.2 | 17.6 | 1.5 | 1.5 | –5.1 | –13.7 |
| Bilateral | –1.1 | 3.8 | 7.8 | 4.8 | 6.5 | 2.7 | 0.0 | –1.0 | –2.4 | 0.6 | –7.4 |
| Multilateral | 2.9 | 7.1 | 13.0 | 7.9 | 2.1 | 7.6 | 17.6 | 2.5 | 3.9 | –5.6 | –6.3 |
| Private creditors | 2.6 | 6.4 | –2.5 | 12.9 | 10.7 | 4.1 | 6.5 | 9.0 | –11.3 | –0.0 | –10.4 |
| Long-term | 6.3 | 20.1 | 21.1 | 30.6 | 25.7 | 11.3 | 13.9 | 5.4 | –14.5 | –8.5 | –25.4 |
| Public and publicly guaranteed | 4.5 | 17.3 | 18.4 | 25.6 | 19.3 | 14.4 | 24.2 | 10.4 | –9.8 | –5.1 | –24.1 |
| Private nonguaranteed | 1.8 | 2.8 | 2.8 | 5.0 | 6.4 | –3.0 | –10.3 | –5.0 | –4.6 | –3.4 | –1.3 |

*Source:* World Bank International Debt Statistics database.
*Note:* GNI = gross national income.

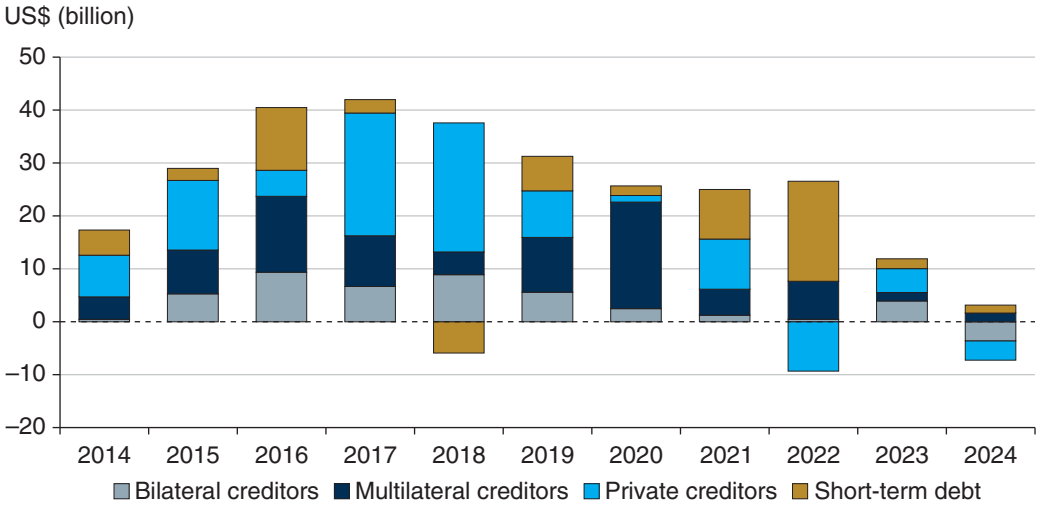
where net flows reversed from an inflow of US$5.2 billion to an outflow of US$3.4 billion in 2024, followed by Pakistan, where net flows decreased by more than a factor of 10 to US$354.4 million. Morocco and Tunisia also recorded significant drops in their net debt inflows, to US$206.5 million and an outflow of US$867.9 million, respectively. However, despite the drop, the pattern of financial instruments and debt composition used across countries diverged widely.

Net debt flows from bilateral creditors turned negative for the first time since 2011, from an inflow of US$3.9 billion to an outflow of US$3.7 billion (figure 1.24). Net bilateral debt flows to Pakistan and Iraq drove the trend, led by reductions of more than 75 percent in disbursements from new financing to US$1.5 billion and US$320.7 million, respectively. Egypt's debt-swap agreement did not affect the country's net flows; consequently, it also did not affect the region's net flows operations from bilateral creditors, which measure the provision of new financing minus repayments during that period. Multilateral creditors were the only creditor base that provided positive flows to public sector borrowers in 2024. Most of the region's increase was attributable to the World Bank's IBRD. At the country level, increases were largest in Tunisia, Jordan, and Pakistan (primarily because of the 2024 IMF disbursement), but they were offset by Egypt's surge in principal repayments, primarily to the IMF.

Bond issuance by public and private sector borrowers in the region fell sharply in 2024, to US$3.0 billion. Most of the issuance in the region is incurred by public sector borrowers (figure 1.25). In May 2024, Morocco's OCP Group issued a US$2 billion Eurobond to finance green investments, structured in two tranches—a US$1.25 billion tranche of 10-year maturity and a US$750 million tranche of 30-year maturity—with corresponding interest rates of 6.75 percent and 7.5 percent, respectively. The combined effect of a decline in new issuance and a marked increase in the share of maturing bonds reduced the net flow to public sector borrowers to an outflow of US$2.3 billion from an inflow of US$4.2 billion in 2023. Egypt, Pakistan, and Tunisia accounted for 80 percent of these principal payments.

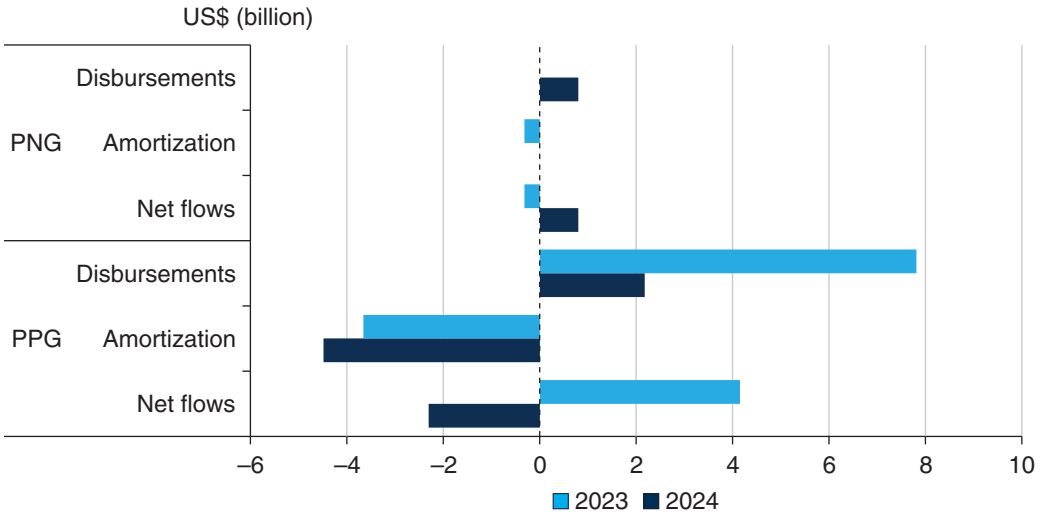
As the cost of servicing debt has increased in the region, the ratio of total debt service payments to GNI and export revenues increased in 2024 to 3.7 percent and 13.7 percent, respectively. The increased cost of servicing debt caused net transfers in the region to turn even more negative in 2024, from an outflow of US$12.1 billion to an outflow of US$29 billion. Remarkably, net transfers from all creditor bases in 2024 registered an outflow for the region.

**Figure 1.24** Net Debt Flows to the Middle East, North Africa, Afghanistan, and Pakistan, by Creditor Type, 2014–24




*Source:* World Bank International Debt Statistics database.

**Figure 1.25** Bond Flows to the Middle East, North Africa, Afghanistan, and Pakistan, by Borrower Type, 2023 and 2024




*Source:* World Bank International Debt Statistics database.
*Note:* PNG = private nonguaranteed; PPG = public and publicly guaranteed.

## SOUTH ASIA

*Net debt inflows rose 106 percent in 2024 to US$83.5 billion (table 1.7), the highest level of the decade, driven by the almost 100 percent increase in net long-term inflows from private creditors to US$57.5 billion, directed entirely to India.*

The external debt stock of countries in the region rose on average 8.4 percent in 2024 to US$896 billion, a much faster pace of accumulation than the 5 percent increase recorded in 2023. This rise in external debt stock, the largest of any region in 2024, was driven by a 10.6 percent increase in India, which accounts for 80 percent of the region's external debt stock. For other countries in the region, the combined external debt stock at end-2024, US$179.6 billion, was broadly unchanged from the prior year. For India, 2024 was marked by a significant

**Table 1.7 External Debt Stock and Net Financial Flows and Transfers, South Asia, 2014–24**

*US$ (billion)*

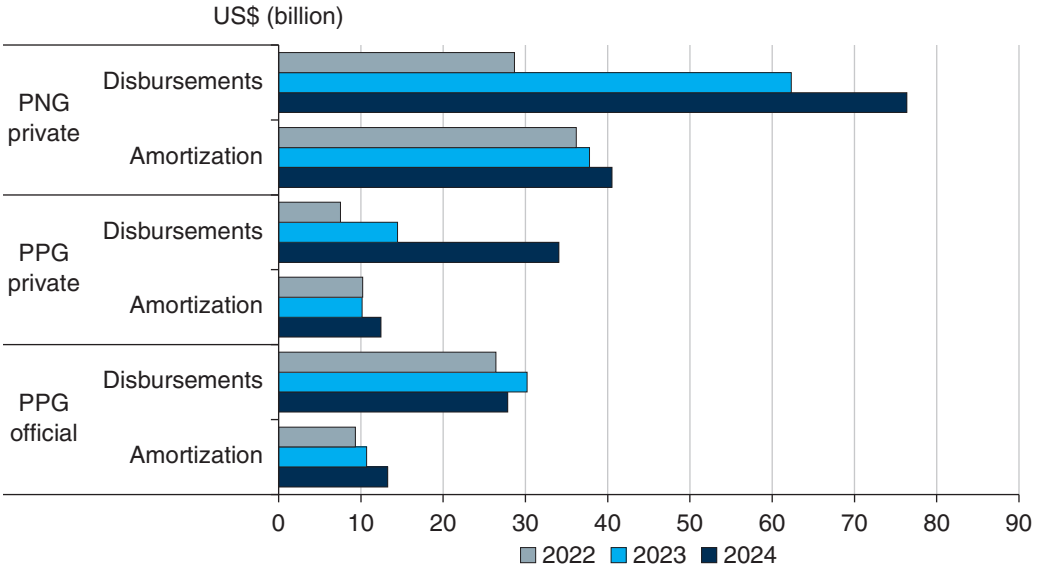
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **External debt stocks** | **542.1** | **568.7** | **551.6** | **622.5** | **641.7** | **691.6** | **710.2** | **778.4** | **787.5** | **826.7** | **896.0** |
| as % of GNI | 23.5 | 23.7 | 20.7 | 20.4 | 20.4 | 20.9 | 22.5 | 21.0 | 20.2 | 19.8 | 20.0 |
| **Net debt inflows** | **47.8** | **30.4** | **–15.1** | **64.5** | **22.1** | **49.8** | **12.7** | **53.3** | **19.8** | **40.4** | **83.5** |
| Official creditors | 4.3 | 3.4 | 5.5 | 7.7 | 11.1 | 10.0 | 19.2 | 16.2 | 17.1 | 19.5 | 14.6 |
| Bilateral | 2.5 | 1.3 | 2.6 | 4.2 | 6.0 | 4.1 | 7.1 | 8.0 | 9.6 | 9.0 | 6.5 |
| Multilateral | 1.8 | 2.1 | 2.9 | 3.5 | 5.1 | 6.0 | 12.1 | 8.2 | 7.6 | 10.5 | 8.1 |
| Private creditors | 49.5 | 28.2 | –23.9 | 39.7 | 6.3 | 35.7 | –4.4 | 18.6 | –10.2 | 28.8 | 57.5 |
| Long-term | 53.8 | 31.6 | –18.5 | 47.4 | 17.4 | 45.7 | 14.8 | 34.8 | 6.9 | 48.4 | 72.1 |
| Public and publicly guaranteed | 37.9 | 14.8 | –3.2 | 34.3 | 7.8 | 20.5 | 7.6 | 26.4 | 14.4 | 23.8 | 36.2 |
| Private nonguaranteed | 16.0 | 16.8 | –15.3 | 13.1 | 9.6 | 25.2 | 7.2 | 8.4 | –7.5 | 24.5 | 35.9 |
| Short-term | –6.1 | –1.2 | 3.3 | 17.1 | 4.7 | 4.1 | –2.0 | 18.5 | 12.8 | –7.9 | 11.4 |
| **Net debt transfers** | **34.4** | **18.1** | **–27.9** | **49.8** | **1.7** | **30.2** | **–3.1** | **36.9** | **–1.6** | **5.2** | **43.4** |
| Official creditors | 2.8 | 2.1 | 3.9 | 5.8 | 8.8 | 7.3 | 16.7 | 14.1 | 14.2 | 12.5 | 6.3 |
| Bilateral | 1.7 | 0.6 | 1.9 | 3.5 | 5.2 | 3.2 | 6.3 | 7.1 | 8.8 | 7.9 | 5.0 |
| Multilateral | 1.1 | 1.4 | 2.1 | 2.3 | 3.6 | 4.1 | 10.5 | 7.0 | 5.4 | 4.6 | 1.3 |
| Private creditors | 32.1 | 9.7 | –10.6 | 24.8 | –5.5 | 7.7 | –13.3 | 7.4 | –5.0 | 1.6 | 18.3 |
| Long-term | 41.7 | 20.6 | –29.5 | 35.3 | 1.1 | 30.2 | 0.9 | 19.9 | –10.6 | 21.8 | 41.9 |
| Public and publicly guaranteed | 34.9 | 11.8 | –6.6 | 30.5 | 3.2 | 14.9 | 3.5 | 21.5 | 9.2 | 14.2 | 24.7 |
| Private nonguaranteed | 6.8 | 8.9 | –22.8 | 4.8 | –2.2 | 15.3 | –2.6 | –1.6 | –19.8 | 7.7 | 17.2 |

*Source:* World Bank International Debt Statistics database.
*Note:* GNI = gross national income.

increase in bond issuance by the government and private entities, reflecting lower borrowing costs and rising investor demand aided by the inclusion of India in global bond indexes. From mid-2024 India was included in the J. P. Morgan Government Bond Index-Emerging Markets; in 2025, it was added to the FTSE Russell Emerging Markets Government Bond Index. Lending from financial institutions to Indian private sector entities also hit record levels in 2024. At end-2024, 77.3 percent of India's long-term external debt stock was owed to private creditors. In contrast, in other countries in the region, all classified as IDA-only borrowers, 76.5 percent was owed to official creditors.

Net debt inflows to the region rose 106 percent in 2024 to US$83.5 billion, the highest level of the decade, driven by a sharp increase in new long-term financing from private creditors to both public and private sector borrowers. Disbursements from private creditors of US$110.5 billion in 2024 were 95.5 percent higher than average disbursements of US$56.5 billion in 2022 and 2023. In contrast, principal payments to private creditors, US$52.9 billion in 2024, increased by only 12.3 percent over the same period (figure 1.26). Consequently, net long-term inflows from private creditors rose almost 100 percent in 2024 to US$57.5 billion, equivalent to 80 percent of long-term net debt inflows to the region and directed entirely to India. Other South Asian countries received only 20 percent of net long-term inflows to the region in 2024. These inflows all came from official creditors, and two-thirds of them were concessional financing from multilateral creditors.

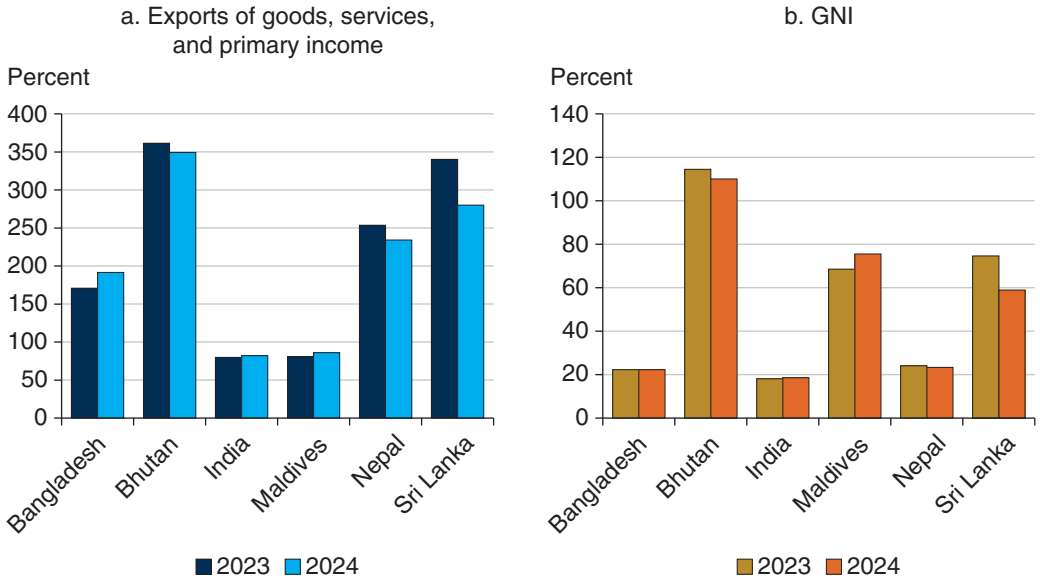
**Figure 1.26 Net Inflows of Long-Term Public and Publicly Guaranteed and Private Nonguaranteed External Debt to South Asia, by Borrower Type, 2022–24**




*Source:* World Bank International Debt Statistics database.
*Note:* PNG = private nonguaranteed; PPG = public and publicly guaranteed.

The ratio of external debt stock to GNI for the region, 20 percent in 2024, and the ratio of external debt stock to exports, 92.9 percent, worsened slightly over the comparable ratios for 2023. They also correlate to those for India—debt-to-GNI of 18.6 percent and debt-to-exports of 82.1 percent in 2024 (figure 1.27)—given the size of the Indian economy relative to other South Asian countries. Although debt indicators for the region as a whole are moderate for individual countries, they differ considerably in relation to both GNI and exports. Bhutan had the highest ratio of debt to GNI in 2024, 110.1 percent, followed by Maldives, 75.6 percent, and Sri Lanka, 58.9 percent. In Bhutan, the ratio of debt to exports was 349.3 percent, and in Sri Lanka it was 280.1 percent. The ratio of debt service to exports ranged from 9.2 percent in Maldives to 23.7 percent in Sri Lanka. Sri Lanka's rise in this ratio from 16.1 percent in 2023 reflects clearance of arrears to external creditors.

**Figure 1.27 External Debt Stocks as a Share of Exports of Goods, Services, and Primary Income and GNI, South Asia, 2023 and 2024**




*Source:* World Bank International Debt Statistics database.
*Note:* GNI = gross national income.

## SUB-SAHARAN AFRICA

*Net debt inflows almost tripled in 2024 to US$48.7 billion (table 1.8)—propelled by South Africa, which accounted for 21 percent of the region's net debt flows; net transfers of external public sector borrowers, excluding South Africa, rose 69.2 percent to US$15.6 billion in 2024.*

The external debt stock of countries in the Sub-Saharan Africa region rose on average 3.4 percent in 2024, to US$900.8 billion, propelled by a 6.1 percent rise in the external debt stock of South Africa, which was driven by a 4.4 percent rise in long-term debt and 10.9 percent increase in short-term debt. The pace of external debt stock accumulation in countries in the region, excluding

**Table 1.8 External Debt Stock and Net Financial Flows and Transfers, Sub-Saharan Africa, 2014–24**

*US$ (billion)*

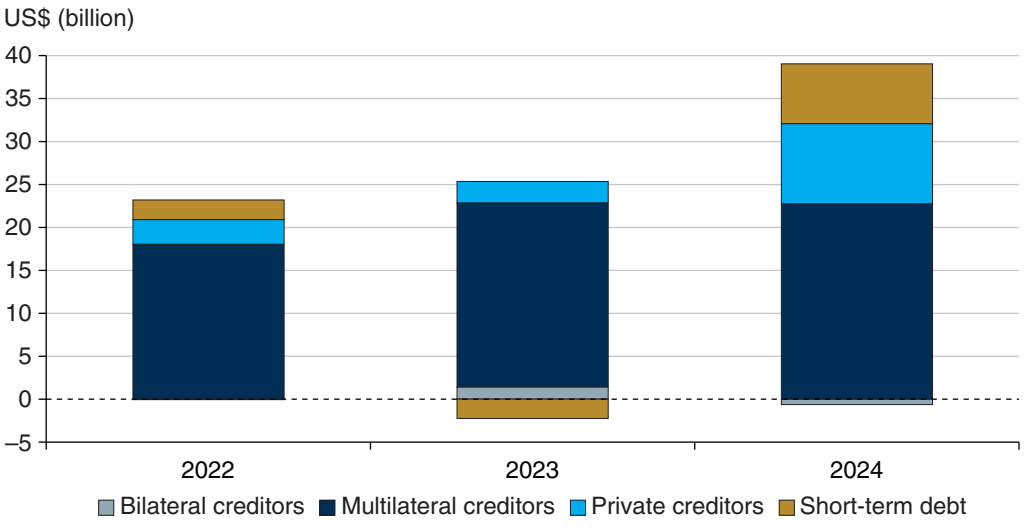
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **External debt stocks** | **512.7** | **517.0** | **562.5** | **657.4** | **701.8** | **752.6** | **793.8** | **836.4** | **850.4** | **871.0** | **900.8** |
| as % of GNI | 28.7 | 32.3 | 38.1 | 41.1 | 40.8 | 42.4 | 47.2 | 44.6 | 42.4 | 46.1 | 49.5 |
| **Net debt inflows** | **55.1** | **17.8** | **44.3** | **75.5** | **48.1** | **44.8** | **34.7** | **35.0** | **28.6** | **17.1** | **48.7** |
| Official creditors | 18.3 | 17.8 | 14.2 | 20.5 | 22.1 | 21.1 | 35.0 | 20.1 | 19.3 | 22.9 | 22.0 |
| Bilateral | 9.9 | 9.2 | 6.4 | 7.7 | 10.4 | 5.5 | 4.0 | 3.1 | 0.4 | 1.5 | –0.3 |
| Multilateral | 8.3 | 8.6 | 7.8 | 12.8 | 11.7 | 15.6 | 31.0 | 17.0 | 18.9 | 21.4 | 22.3 |
| Private creditors | 34.4 | 9.5 | 34.7 | 38.5 | 22.7 | 17.6 | 5.6 | 10.4 | 0.3 | –2.8 | 15.2 |
| Long-term | 52.7 | 27.3 | 48.8 | 59.0 | 44.8 | 38.7 | 40.6 | 30.5 | 19.7 | 20.1 | 37.2 |
| Public and publicly guaranteed | 39.9 | 17.6 | 33.1 | 43.5 | 41.5 | 40.0 | 37.7 | 27.2 | 18.4 | 21.6 | 38.1 |
| Private nonguaranteed | 12.8 | 9.7 | 15.7 | 15.5 | 3.3 | –1.4 | 2.9 | 3.3 | 1.3 | –1.5 | –1.0 |
| Short-term | 2.4 | –9.5 | –4.6 | 16.5 | 3.3 | 6.1 | –6.0 | 4.5 | 8.9 | –3.0 | 11.6 |
| **Net debt transfers** | **43.7** | **3.7** | **28.1** | **58.6** | **26.7** | **21.6** | **13.3** | **14.1** | **4.0** | **–15.0** | **14.7** |
| Official creditors | 16.3 | 15.4 | 11.3 | 17.5 | 18.5 | 16.5 | 30.8 | 15.0 | 14.6 | 15.2 | 12.9 |
| Bilateral | 8.9 | 7.9 | 4.6 | 6.0 | 8.4 | 3.0 | 2.1 | 1.7 | –1.4 | –0.9 | –2.9 |
| Multilateral | 7.4 | 7.5 | 6.7 | 11.5 | 10.1 | 13.6 | 28.7 | 13.3 | 16.0 | 16.1 | 15.8 |
| Private creditors | 17.1 | –5.5 | 12.5 | 16.9 | 10.6 | 9.4 | –8.1 | –3.1 | –11.2 | –13.0 | 3.8 |
| Long-term | 43.4 | 14.9 | 34.2 | 44.0 | 25.6 | 17.5 | 21.0 | 11.2 | –1.7 | –8.0 | 7.4 |
| Public and publicly guaranteed | 33.5 | 9.9 | 23.9 | 34.3 | 29.1 | 25.9 | 22.7 | 11.9 | 3.4 | 2.2 | 16.6 |
| Private nonguaranteed | 9.9 | 5.0 | 10.3 | 9.7 | –3.5 | –8.4 | –1.8 | –0.8 | –5.1 | –10.2 | –9.2 |

*Source:* World Bank International Debt Statistics database.
*Note:* GNI = gross national income.

South Africa, continued to slow, rising on average just 2.8 percent in 2024, to US$724.9 billion, compared to a 3.9 percent increase in 2023 and an average increase of 4.8 percent in 2021 and 2022. The slowdown in the growth of external debt stocks in 2024 is in part explained by debt restructuring agreements with bondholders and other debt reorganizations implemented in 2024. The most significant of these were the up-front haircuts included in the debt restructuring agreements with bondholders for Ghana and Zambia, and implementation of debt forgiveness granted to Somalia in the context of the Heavily Indebted Poor Countries (HIPC) Initiative Completion Point reached in 2023. Taken together, these measures reduced end-2024 long-term debt stocks by US$5.0 billion.

Net debt inflows to countries in Sub-Saharan Africa, excluding South Africa, rose 66.1 percent in 2024 to US$38.3 billion (figure 1.28). This increase was accompanied by a marked change in borrowing patterns and creditor composition. Short-term debt inflows turned from an outflow of US$2.2 billion in 2023 to an inflow of US$6.9 billion in 2024, equivalent to 18 percent of total debt inflows. Long-term debt inflows rose 23.9 percent to US$31.3 billion, driven by inflows from bondholders of US$7 billion, as compared to an outflow of US$1.4 billion in 2023. This reversal reflects renewed access to international capital markets for countries like Benin, Côte d'Ivoire, and Kenya. Net inflows from multilateral creditors rose 6.1 percent in 2024 to US$22.7 billion, of which the World Bank accounted for 63.5 percent. Bilateral creditors recorded an outflow of US$0.7 billion.

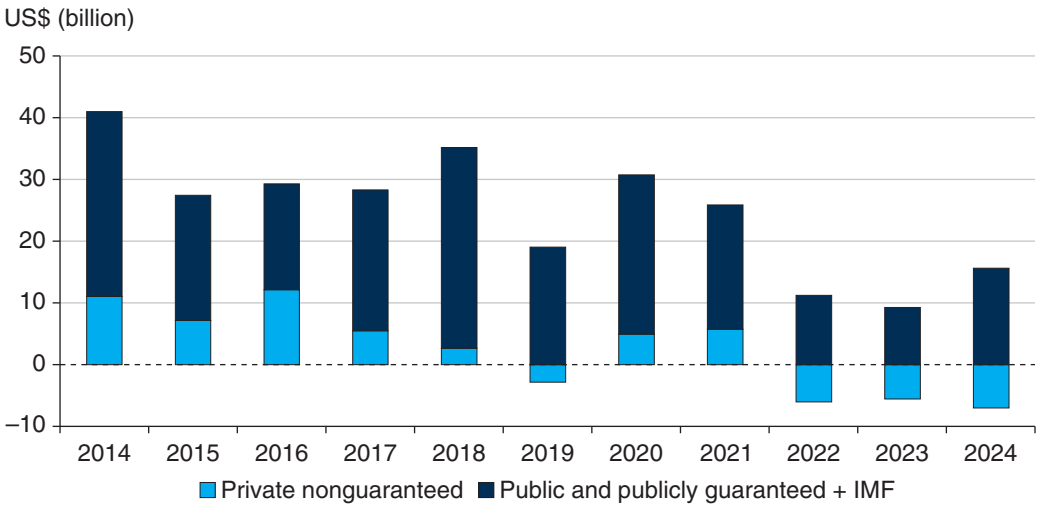
**Figure 1.28 Net Debt Flows to Sub-Saharan Africa (Excluding South Africa), by Creditor Type, 2022–24**




*Source:* World Bank International Debt Statistics database.

Net transfers of external public debt to the region, excluding South Africa, rose to US$13.1 billion in 2024, from US$7.8 billion in 2023 (figure 1.29). The primary reason for this rebound was increased disbursements to public sector entities, which rose 20.5 percent to US$54.6 billion, compared to a much smaller, 13.2 percent increase in debt service payments to US$47.2 billion. The rise in disbursements was driven by an 80.1 percent increase in those from private creditors, notably from bond issuance in international capital markets. Consequently, the net transfer from private creditors turned positive in 2024 to an inflow of US$1.4 billion, from the prior year outflow of US$7 billion. Net transfers from official creditors, US$14.2 billion in 2024, equivalent to 91 percent of total net transfers on external public debt, remained the primary source of financing.

**Figure 1.29 Net Transfers to Sub-Saharan Africa (Excluding South Africa), by Borrower Type, 2014–24**




*Source:* World Bank International Debt Statistics database.
*Note:* IMF = International Monetary Fund.

## Debt Restructuring, 2024

This section presents an overview of debt reorganization by LMICs in 2024 and outcomes against the backdrop of slower global growth, high real interest rates, increased trade restrictions and heightened uncertainty, and real and acute concerns about sovereign defaults.

In 2024, debt reorganization by LMICs reached its highest level since 2010. Close to US$90 billion was reorganized, of which about 58 percent was due to agreements with IDA-eligible countries. The debt reorganization took several forms, including restructuring agreements in the Group of Twenty (G-20) Common Framework and other international forums, and with private creditors, notably bondholders. In addition, outright debt forgiveness and several debt swaps occurred. LMICs, including several IDA-eligible countries, also took advantage of improved market conditions to reprofile the public debt portfolio through new bond issuance in international capital markets or borrowing from private creditors to refinance more costly loans, including with support from multilateral institutions.

### *Debt Restructuring Agreements*

A significant development in 2024 was the accelerated pace of debt restructuring in the G-20 Common Framework. Following their agreement with Zambia in 2023, bilateral creditors concluded an agreement with Ghana in January 2024. Both countries reached agreement with bondholders in 2024. In addition, Ethiopia, which was granted a debt service suspension under the framework for 2023–24, secured a new IMF-supported program in July 2024. This program led to an agreement in principle with the Official Creditor Committee in March 2025 that rescheduled over US$8 billion in bilateral claims with an estimated US$3.5 billion in debt relief and paves the way for restructuring with bondholders and other private creditors.

**Zambia** concluded the Eurobond exchange in May of 2024, restructuring US$3.9 billion, including US$3 billion outstanding on its three sovereign bonds and US$890 million of past due interest. The bonds were exchanged for two new bonds with a combined value of US$3.05 billion, and US$840 million of past due interest was forgiven, providing a 40 percent reduction in present value terms in the baseline scenario. The agreement includes an upside case treatment that accelerates the amortizations and increases the interest rate if the Zambian economy performs better than projected under the IMF program.

**Ghana** followed its successful Domestic Debt Exchange Program in 2023 with an agreement on a comprehensive restructuring of external obligations to bilateral

creditors in January 2024. The agreement, formalized by Paris Club creditors in a Memorandum of Understanding of June 11, 2024, rescheduled about US$5.4 billion in debt service falling due in December 2022, and that due during the January 1, 2023, to December 31, 2026, period. It extended the weighted average maturity from 2029 to 2038 and reduced interest rates, commensurate with the contractual interest rate of each claim. The agreement with bilateral creditors paved the way for the one with bondholders in October 2024, which restructured US$13.0 billion on 15 separate issues. The old bonds were exchanged for five new bonds totaling US$9.4 billion. The up-front haircut of US$3.5 billion, coupled with extended maturities and lower coupon (interest rate) on the new bonds, delivered an overall reduction of 37 percent in present value terms.

Outside the Common Framework, **Sri Lanka** restructured about US$26 billion with external creditors in 2024, including US$10.3 billion with bilateral creditors, of which US$4 billion was owed to China Eximbank; US$14.2 billion with bondholders, including overdue interest; and US$2.2 billion with private creditors, specifically the China Development Bank.[4] In addition, the domestic debt program restructured another US$9.9 billion. The agreement with bilateral creditors included a four-year grace period, an extension of maturities to 2043, and a reduction in interest rates. Bondholders agreed to an up-front US$3 billion haircut, extended maturities, and lower coupon (interest rate). The new bonds, tied to macroeconomic and governance performance, allow for a reduction in the concessions offered by bondholders if the Sri Lankan economy outperforms IMF program targets.

The Paris Club signed a Memorandum of Understanding with **Suriname** in October 2024 to implement the second phase of the 2022 agreement. It restructured US$88 million in end-2024 debt stock owed to France, Israel, Italy, and the Netherlands. Concessional loans will be repaid over 17 years including 4 years of grace, and nonconcessional loans will be repaid over 12 years including 5 years of grace.

Two of the world's poorest countries, **Haiti** and **Somalia,** benefited from debt forgiveness of US$6.2 billion from official creditors following Somalia's attainment of the HIPC Completion Point in late 2023, the first country to do so since 2015, and forgiveness of Haiti's oil-related debt by República Bolivariana de Venezuela.

**Haiti**'s US$2.2 billion oil-related obligations to República Bolivariana de Venezuela under the Petrocaribe program were extinguished, with US$500 million settled by Haiti from funds previously paid into a blocked account and US$1.7 billion written off by República Bolivariana de Venezuela.

Petrocaribe—an oil alliance established by República Bolivariana de Venezuela in 2005 to provide member countries in the Caribbean and Central America with oil on concessionary financial terms, including long-term payment options at low interest rates—provided energy security for participating countries and served to strengthen República Bolivariana de Venezuela's geopolitical influence in the region. In recent years, however, the program has largely collapsed because of the decline in República Bolivariana de Venezuela's oil production and the country's turbulent political situation.

**Somalia** reached the HIPC Completion Point in December 2023, with total debt service savings of US$4.5 billion, of which US$1.5 billion came from multilateral creditors, including US$448.5 million from the World Bank (IDA) and US$343 million from the IMF. In their Memorandum of Understanding of March 2024, Paris Club creditors canceled US$1.2 billion and confirmed their willingness to forgive a further US$815 million on a voluntary, bilateral basis.

Turning to middle-income countries, the bond restructuring for **Ukraine** in September 2024 was the largest among LMICs aside from that of Argentina in 2021. It followed the two-year repayment deferral implemented in 2022 and restructured about US$24 billion, including US$3.5 billion of accrued interest. The agreement, which covers sovereign bonds and sovereign-guaranteed bonds of the State Agency for Restoration and Development of Infrastructure, canceled about US$9 billion; it included an up-front haircut that reduced immediate debt service payments by 93 percent and provided a significant extension of maturities and reduction in coupon (interest) rates. It was implemented through an exchange of existing bonds for eight new bonds totaling US$15.2 billion: four Step-Up A bonds with an interest rate of 1.75 percent starting in 2025 and increasing to 7.75 percent after 2034, and four Step-Up B bonds with an interest rate of 7 percent beginning in 2027 and gradually increasing to 7.75 percent after 2034. The agreement provides for an increase in the principal amount of each series in February 2030 if the Ukrainian economy outperforms IMF expectations, which allows bondholders to recoup 12 percent of the principal haircut provided by the restructuring agreement.

### *The G-20 Common Framework: Recent Developments*

Since its creation in 2020, the G-20 Common Framework has served as the coordinating mechanism for the provision of comprehensive debt restructuring for low-income IDA-eligible countries. It brings together all G-20 bilateral creditors and coordinates with private creditor groups to provide a debt treatment, tailored to each borrower's debt structure, that will restore medium-term debt sustainability. As discussed in the previous section, 2024 saw the

delivery of concrete results for Ghana and Zambia, and acceleration of the restructuring process for Ethiopia. This progress reflects a continuous effort on the part of G-20 creditors and their key international partners to strengthen the Common Framework, streamline the restructuring process, and enhance creditor coordination.

In early 2024 the IMF, World Bank, and Presidency of the Group of Twenty set up the Global Sovereign Debt Roundtable (GSDR) to serve as a forum for creditor dialogue, among and across creditor groups, and to foster consensus on key technical questions such as comparability of treatment, as well as challenging issues that arise during the restructuring process. The GSDR has helped overcome disagreement, enhanced information sharing, and speeded decision-making as reflected in the accelerated pace of the agreement with Ghana. That agreement was completed in half the time of the prior ones with Chad and Zambia. Additionally, in April 2025, the IMF adopted important reforms to its debt policies that will facilitate faster engagement with the borrower, a critical improvement because delays are likely to exacerbate a debt crisis. The reforms cut the approval time for an IMF program (a prerequisite for the debt restructuring), created new procedures for financing assurances aimed at providing greater flexibility, and laid the groundwork for a smoother, faster process in the future.

Consensus reached by the GSDR on key technical issues is now available in a one-stop Compendium of Common Understanding on Technical Issues, which covers several important topics of key concern to debtors, including comparability of treatment, anticipated timelines for the restructuring process, and how to approach domestic debt restructuring. Creditors recognize the need, however, to strengthen the predictability and timeliness of the restructuring process, and to address some other important issues. These issues include (a) accelerating the restructuring of debt owed to commercial creditors, other than bondholders; (b) incentivizing parallel rather than sequential negotiation when it accords with the debtor's strategy; (c) galvanizing support for early post-restructuring credit rating upgrades; and (d) tackling the complex topic of restructuring collateralized claims, or commercial loans backed by export credit agencies.

There is also a need to strengthen debt transparency, including restructuring outcomes. In this context, early and continuous information sharing between the debtor, creditors or creditor groups (Official Creditor Committee, bondholders' committees, and so on), and the IMF and World Bank is seen as a key factor in a timely and efficient restructuring process. Participants in the GSDR have also reaffirmed support for a debtor-convened meeting of all official bilateral and private creditors early in the restructuring process to explain the context and goals of the restructuring, and for further engagements, as appropriate, to

facilitate information sharing as the process advances. Such meetings would also provide an opportunity for the IMF and the World Bank to share information on the macroeconomic framework and debt sustainability analysis, consistent with policies on information sharing, and to explain their policy frameworks, including with regard to IMF debt and financing assurances policies and World Bank requirements for providing financing through budget support operations.

*Debt Swaps*

Debt swaps continued to serve as an important liability management tool for LMICs in 2024. Debt-for-development swaps, a subcategory of debt swaps, reduce external debt obligations or lower financing in return for a commitment from borrowers to use the savings to fund investment in development projects, expenditures in the social sector, or measures to protect the natural environment and mitigate the impact of climate change. In 2024, seven countries implemented a debt swap agreement: Côte d'Ivoire, Ecuador, Egypt, El Salvador, Indonesia, Kenya, and Mongolia. Collectively these swaps unlocked over US$12 billion in financing to support various sectors, including the natural environment, education, and health. The swaps encompassed debt owed to bilateral creditors, market-based operations, and an innovative refinancing-cum-swap agreement pioneered by the World Bank and supported by an IBRD policy-based guarantee that combined improving debt sustainability management and support for a country's development and investment in human capital (box 1.5).

By far the largest of the 2024 swap operations was the swap concluded between Egypt and the United Arab Emirates. Under the agreement, the United Arab Emirates converted US$11 billion of the outstanding term deposits it had extended to Egypt to equity investment as part of a US$35 billion investment package to develop Egypt's Ras El-Hekma peninsula. The US$11 billion subject to conversion to equity comprised US$5.65 billion in medium-term deposits and US$5.35 billion in short-term deposits.[5]

In LAC, Ecuador and El Salvador implemented debt-for-climate swaps. Ecuador followed its successful 2023 swap to conserve the Galapagos with a similar operation in 2024 aimed at preservation of the Ecuadorian Amazon. Supported by a loan from the Amazon Conservation Designated Activity Company, Ecuador paid US$1 billion, or on average 35 cents on the dollar, to buy back US$1.527 billion of its sovereign bonds, thereby realizing an immediate reduction in its external obligations of US$527 million, plus savings in future interest costs. El Salvador's debt-for-nature swap, its first, which aimed at conservation of the Rio Lempa watershed, was financed by a US$1 billion loan from J. P. Morgan. The par value and secondary market price of El Salvador's sovereign bonds

closely aligned, and it paid US$1 billion to buy back bonds valued at US$1.031 billion. However, after taking account of the more advantageous terms on the loan from J. P. Morgan and interest savings on the sovereign bonds bought back, El Salvador expects the debt swap to generate overall savings of about US$352 million for conservation of the Rio Lempa watershed.

With regard to bilateral creditors, in 2024, Germany—a leading and long-time supporter of the Global Fund's Debt2Health program—signed swap agreements with Indonesia and Mongolia to convert €75 million and €29 million, respectively, of its concessional bilateral claims into public health investments. Under these arrangements external debt is swapped for local currency and the creditor, in this case Germany, forgoes debt service payments in euros in return for a commitment from the borrower to invest the equivalent amount in local currency in agreed health service projects. Germany also concluded a €60 million debt-for-climate swap with Kenya that operates in the same way as the health projects but in this case in return for a commitment to invest in climate and renewable energy projects.

**Box 1.5 Côte d'Ivoire: World Bank–Supported Debt-for-Development Swap**

In December 2024, Côte d'Ivoire announced a debt-for-development swap designed to improve the public debt profile and free up resources for investment in education. This innovative debt swap-cum-liability management operation, facilitated by the World Bank, is the first of its kind to explicitly combine improving debt sustainability management and supporting a country's development objectives and investment in human capital. A €240 million policy-based guarantee (PBG) extended by the World Bank's International Bank for Reconstruction and Development is designed to enable Côte d'Ivoire to access long-term commercial financing in euros on more favorable terms. It will be used to redeem the equivalent amount of the country's costly external debt obligations to private creditors, thereby freeing resources for development initiatives. The PBG serves to lower borrowing costs and provide protection to commercial lenders in the event of nonpayment of debt service by Côte d'Ivoire.

The swap-cum-liability management operation is part of the World Bank's €800 million Third Investment for Growth Development Policy Financing loan approved in December 2024. It includes, in addition to the €240 million PBG, a €260 million guarantee to support a sustainability-linked commercial bank loan to finance Côte d'Ivoire's green transition, and €300 million in direct budget support.

The new €400 million loan extended at end-December 2024 to implement the debt-for-development swap, supported by the PBG at 60 percent coverage, has

*(Box continues on next page)*

**Box 1.5 Côte d'Ivoire: World Bank–Supported Debt-for-Development Swap (*continued*)**

a 15-year maturity, including a 7-year grace period. The buyback targets external commercial loans maturing between 2029 and 2033 carrying variable interest rates, with a current annual cost as high as 8 percent. Refinancing these loans with the new loan from MFUG Bank is expected to free up about €330 million in debt service payments in the near term and realize an overall net debt reduction of about €60 million. These fiscal savings will provide the incentive for the authorities to meet the increased target of a World Bank Program for Results, notably by building 30 new primary schools benefiting some 30,000 children.

Tangible benefits in terms of debt service savings and improved fiscal space are important given the challenging external financing conditions facing LMICs. Côte d'Ivoire has market access, but the buyback allows it to further improve its public debt profile, to solidify the downward trajectory in the volume of outstanding public debt, and to smooth the future debt service curve. Additionally, unlike other commercial debt-for-climate swaps which required high legal and transaction costs, this debt-for-development operation is implemented by the government of Côte d'Ivoire, which not only eliminated costly overheads but also signals confidence in the capacity and integrity of the country's administrative processes.