IJSCIA
International Journal of Scientific Advances
ISSN: 2708-7972
Volume: 3 | Issue: 2 | Mar - Apr 2022 Available Online: www.ijscia.com
DOI: 10.51542/ijscia.v3i2.10

External Debt in Developing Countries in The Period of 2001 to 2020: Reality and New Manifestations

Xoan Le Thi[1], Uyen Vo Thi Le[2]*
[1]Ho Chi Minh University of Natural Resources and Environment, Vietnam
[2]University of Economics and Law, National University of Ho Chi Minh City, Vietnam
E-mail: ltxoan@hcmunre.edu.vn; uyenvtl@uel.edu.vn

*Corresponding author details: Uyen Vo Thi Le; uyenvtl@uel.edu.vn

ABSTRACT
Recently, external debt (ED) in developing countries (DCs) has increased rapidly because domestic finance is not able to meet their high capital needs. Debt has certain benefits when it comes to providing capital for economic development. However, the debt burden also creates risks for an economy. The main objective of this paper is to assess the situation of ED and determine its new manifestations in DCs in the period of 2001 to 2020 through indicators such as debt size, debt solvency as well as fluctuations in debt. The results show that the size of debt increased rapidly, but there was no sign of the unsustainability of debt during this period. The indicators, which were studied, showed a contradiction in the growth trend of debt solvency and debt size. In addition, the large share of short-term debt and private debt in total debt has also shown that debt payment pressure is growing in these DCs. Therefore, these economies are currently facing their own difficulties in financial potential along with general difficulties caused by the Covid-19 pandemic. Similar to other economic experts' comments, the study shows that the reality of ED in DCs is going in a bad direction and therefore these economies are likely to fall into a new debt crisis.

Keywords: external debt; developing countries; reality; new manifestations of external debt

INTRODUCTION
External debt is currently a matter of great concern in many countries, especially for developing countries. Entering the twentieth century, ED in DCs has the largest scale ever. The causes of high ED in different countries can vary. So, because they are all developing countries, the causes of debt in these countries also have similarities. The first basic reason is that the capital needs for economic development in these countries are very large but their self-sufficiency is not guaranteed. The second is due to the increasing exchange of goods between countries that are considered developed and countries that are still considered developing. Borrowing from abroad has great benefits for the socio-economic development of countries such as creating additional capital sources for economic development and growth; adjusting the national balance of payments; increase the attractiveness of the domestic investment environment (Claessens, 1990; Semmler, W., & Sieveking, M., 2000; Easterly, 2002; Cassimon, D., & Vaessen, J., 2007; Ferrarini, 2008). However, besides the benefits, ED can also pose great risks to the borrower if the debt is too large or not well managed by the borrower. More seriously, it can lead to a debt crisis. Then, the economics and even politics of the debtor countries must depend on the creditors because the loans are often tied to certain conditions. In addition, bad debt management will easily lead to corruption and bribery (IMF., 2000) or can turn debtors into the world's technology dumps, especially in DCs, economies are mostly in a weak position economically and possibly politically.

In recent times, ED in DCs has increased rapidly. From 2001 to 2020, ED has increased 4.64 times, along with a change in the structure of debts.

In the current context, where the world in general and DCs in particular are facing difficulties from the Covid-19 pandemic, in general, DCs' ability to pay ED is under threat. On the basis of analyzing financial indicators related to debts, this article presents the current status and new manifestations of ED in DCs in the period from 2001 to 2020. Then, with the results obtained, several solutions for sustainable debt management in DCs have been proposed for both borrowers and lenders.

THEORIES OF EXTERNAL DEBT
According to the United Nations Conference on Trade and Development (UNTACD), the external or international debt of a country at a given time is the total amount of debt that has not been paid under contracts, in which Residents of the country must pay non-residents. It includes repayment of principal with (or without) interest, or payment of interest with (or without) principal.

Each country has a different way of classifying debt depending on the purpose of use, how it is used or how it is managed. But in general, the classification of ED in all countries is based on 4 main criteria: (1) the subject (state debt, private debt); (2) term (short-term debt, long-term debt); (3) nature (concessional loans, commercial loans) and (4) sources (bilateral debt, multilateral debt). To assess the status of external debt, researchers are often interested in two issues: the size of the debt and the sustainability of the debt.

From the serious consequences of the currency crisis in a number of emerging and developing economies in the last decade of the twentieth century, the study and analysis of fiscal vulnerabilities as well as the relationship between

them and EDs becomes an important issue in the economic policy agenda of international organizations. As a result, these institutions are often very interested in controlling for variables that may threaten debt sustainability. For example, the International Monetary Fund (IMF., 2000; IMF., & World Bank., 2006) has undertaken a wide-ranging program to determine whether a country is vulnerable to these crises and, if so, in what level.

Emerging and developing economies, whose economic growth is largely dependent on external financing and other capital flows, are particularly vulnerable to changing investor attitudes. Therefore, the IMF pays special attention to assessing the vulnerability of debtor countries. They argue that each country should be aware of the importance of closely monitoring the indicators that measure indebtedness. To look at the status of ED in a country or region, international organizations, governments and scientists have suggested many indicators. In which, the most accepted indicators are:

(i) indicators that reflect debt size, interest scale such as debt/GDP or debt/GNI, debt/budget, debt/export, interest payments/export, interest payments/GDP or interest payments/GNI; (ii) indicators of debt structure including short-term debt/total debt, preferred debt/total debt, bilateral debt/total debt; (iii) indicators of liquidity including international reserves/total debt, debt service/government revenue, international reserves/imports of goods and services (this indicator does not reflect direct ability to pay foreign debts, however, according to international standards, the ratio of international reserves is at least equal to 12 weeks of imported goods and services to have enough potential to intervene in exchange rates as well as raise scale of foreign debt within safe limits).

Besides the above criteria, a few other indicators can be used to assess the liquidity of debts such as economic growth rate, export/GDP ratio, investment rate, etc. These all reflect the health of the economy, so they also reflect the country's ability to pay its debts.

TABLE 1: Debt levels

Vulnerability Indicator	International Debt Relief	International Monetary Fund
Debt Service/income	28% - 63%	25%-35%
Debt PV/income	88% - 127%	200% - 300%
Interest/income	4,6% - 6,8%	7% - 10%
Debt/GDP	20% - 25%	25% - 30%
Debt/Income	92% - 167%	90% - 150%

Source: *INTOSAI Professional Standards Committee*

However, up to now, the assessment of external debt has not been unified with many different views among international organizations. For example, in Table 1 above, when considering debt levels, international organizations have different recommendations.

Table 2 presents other standards and recommended cutoff of external debt classification proposed by the World Bank.

TABLE 2: Standards of external debt classification

Level of debt	Debt/GDP	Debt/Export	Debt service/Export	Interest payments/Export
Too much debt	>50%	>275%	>30%	>20%
A lot of debt	30-50%	165-275%	18-30%	12-20%
Moderate debt	<30%	<165%	<18%	<12%

Source: *World Bank*

Thus, it can be seen that some basic common standards are accepted for external debt, but the recommended cutoff of these criteria are quite different among international organizations.

LITERATURE REVIEW

External debt is a topic of interest to many researchers, especially in the context of the global integration of the world economy. As the need for cooperation and development deepens, capital flows will tend to move more between countries. In developing countries, capital needs are great but not strong enough in terms of financial potential. Therefore, they have to borrow external debt.

In recent times, the increasing trend of external debt in developing countries has put considerable pressure on the sustainability of loans.

So far, there are quite a few studies that have analyzed and evaluated the sustainability of external debt. According to (IMF., 2000), there are different indicators to determine the sustainability of external debt. They use mainly indicators of the country's solvency. Accordingly, they consider the resources to repay that country's debt through such indicators as: debt/GDP ratio, debt/export ratio, government debt/total current revenue ratio, debt/total debt ratio and short-term debt/total debt ratio. Also (IMF., 2000) pointed out that there is a second set of indicators that focus on measuring the liquidity of a country's short-term debt to its debt obligations, including: debt service ratio/ GDP, debt service/exports ratio and government debt/budget revenue. In addition, according to this organization, the sustainability of debt is also measured by the current account balance.

If the current deficit is high, the foreign position of that country becomes unsustainable, then it may have to borrow more foreign debt to finance the current deficit. By 2004, Claudio M. Loser studied the sustainability of external debt in low- and middle-income countries. The sustainability of debt is assessed by the author through 3 groups of criteria.

The first is the group of external debt indicators, including the debt/GDP ratio; debt services/GDP ratio or debt services/exports ratio; short-term debt/total debt or debt service/total debt ratio. These ratios are used to compare the debt to be paid with the money that can be mobilized to pay the debt, or to show the proportion of the debt that needs to be paid off quickly (short-term debt/total debt). Therefore, through them it is possible to determine the level of safety or sustainability of debts. The second is macroeconomic indicators, including Net international reserves; Real effective exchange rate; Inflation; Output growth; Export and import behavior; Terms of trade; Monetary indicators (Indicators of growth in domestic credit, credit to the public sector, the monetary base and money supply (M2), point at an excessive expansion of domestic demand, that will suggest the possible emergence of imbalances); Interest rates; Fiscal deficit and credit to the public sector. Third is the credit rating of the state. Changes in credit ratings by credit rating agencies have a significant impact on developing countries' ability to access capital markets from abroad. And an increase in ratings can help improve the loan terms available to a country.

(Manasse, P., & Roubini, N., 2009) provided a more complete set of predictors for external debt management. It includes total debt/GDP, short-term debt/total reserves ratio, real GDP growth, foreign public debt/budget revenue ratio, current account balance, short-term debt/reserves ratio foreign exchange, exchange rate valuation and exchange rate fluctuations. According to them, a country is considered relatively "debt-safe" when it satisfies some prerequisites for debt management such as low total external debt (below 49.7% of GDP); low short-term debt (less than 130% of reserves); low external public debt (under 214% of budget revenue). (Manasse, P., & Roubini, N., 2009) argued that there are three problems related to debt risk: low solvency, illiquidity, and macroeconomic exchange rate risk (when economic growth is low with a fixed exchange rate regime). This is also agreed by (Elkhishin, S., & Mohieldin, M., 2021) in his research on external debt in emerging and developing countries before the shock of the Covid-19 pandemic.

In 2011, (Muhanji, S., & Ojah, K., 2011) studied external debt in Africa. They focus on sustainable debt management in these countries. This study also used basic indicators such as (IMF., 2000) to assess the level and safety and sustainability of Africa's external debt. The authors argue that Africa's failure to determine the appropriate level of debt to ensure the sustainability of the debt. Besides, inefficiency in infrastructure management and external shocks are important reasons for high debt risk. And those are the issues that need improvement in Africa's debt management policy.

Contrary to previous views on assessing a country's indebtedness, (Caliari, 2006) has argued that the various indicators, which have been used to establish debt thresholds, are not suitable for a developing country. This is especially so in the case of indicators that are used to gauge the government's responsiveness to revenue needs to achieve human development goals. He heavily criticized the debt adequacy ratios of the IMF and the World Bank because they mainly rely on debt/exports and debt services/exports to measure the sustainability of indebtedness. He argued that export revenues are not necessarily correlated with economic growth, poverty reduction or, more importantly, fiscal revenues. Furthermore, he noted that the thresholds that have been chosen are often fixed numerical thresholds. As such, they cannot capture the possible variation in a country's situations. (Caliari, 2006) recommended that human development requirements take precedence over those of debt settlement. And assessing debt sustainability should be based on ensuring that indebted countries can meet the financing requirements needed for both the human development and millennium development goals. However, so far, the research on the sustainability and safety of external debt has mostly analyzed through indicators in the IMF (2000). Sometimes, the authors also combine with the review of the evolution of the debt and the repayment source to determine the sustainability of the debt (Loser, 2004; Ferrarini, 2008; Manasse, P., & Roubini, N. , 2009; Yang, J., & Nyberg, D., 2009; Elkhishin, S., & Mohieldin, M., 2021).

RESULTS

After several debt crises in developing countries, mainly foreign debt, experience has shown that creditors often have to write off debts for some countries without the ability to pay. And this situation was most common in the 1930s. By the late 1990s and early years of the new millennium, developing countries had emerged from an unprecedented debt crisis. Beginning in 1982 with the default of Mexico, a series of creditor countries changed the way they managed their debt. Between 1980 and 1999, there were at least 280 debt restructuring activities. Since 1982, those operations have basically ensured that the debt is still paid so that creditors are not affected by the general suspension of repayment like in the 1930s. Lessons learned from debt crises making debtors insolvent, creditors have made changes in their lending policies such as increasing lending conditions, reducing loan interest rates, changing loan structure, etc. This makes borrowing countries more dependent on external debt.

However, in the context that the global economy is facing difficulties such as the global economic crisis in 2008 and the current complicated development of the Covid-19 epidemic, the rapid increase in the size of foreign debt caused great difficulties for economies (in 2020 the global economic growth rate is -3.27%). Many economists have suggested that external debt in developing countries is likely to lead to a new crisis. This is reflected in the current situation and new manifestations of external debt in developing countries in recent times.

(1) Size and interest payments of external debt

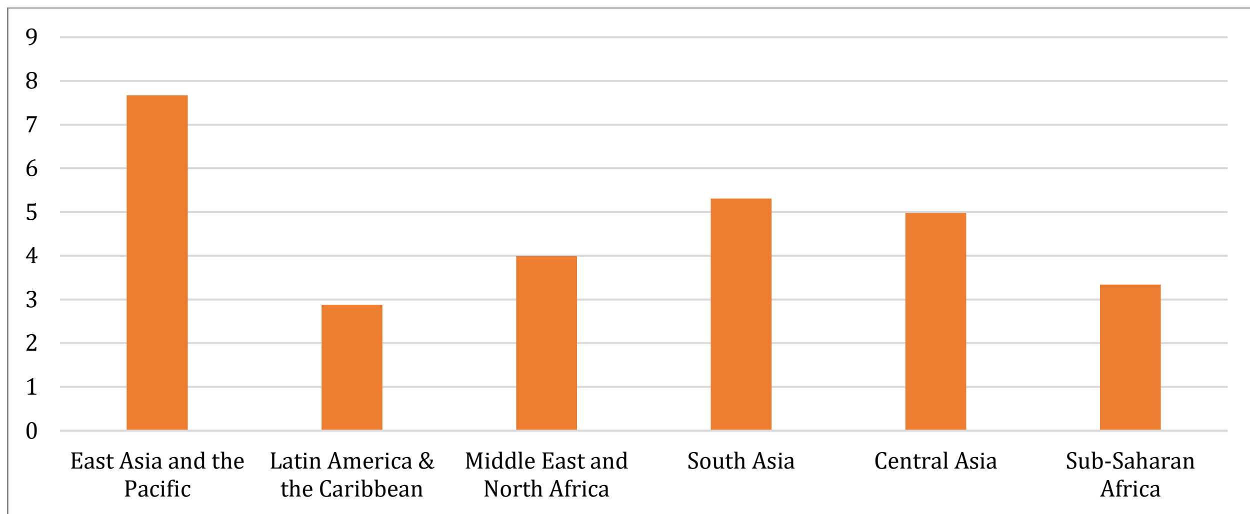

FIGURE 1: Growth rate of foreign debt in developing countries in 2020 compared to 2000 by region (times)

Source: *World Bank and IMF*

Figure 1 shows that the external debt of developing countries tends to increase quite rapidly with 2,276.4 billion USD in 2001 increasing to 10,570.8 billion USD in 2020. This trend is mainly due to China, one country accounts for 23% of the total external debt of developing economies and 44% of their GDP by 2020.

Thus, in 20 years, their external debt has increased 4.64 times with an average annual increase of 18.22%. In particular, debt in Asia increased fastest, especially in East Asia. Specifically, total debt in 2020 increased 7.67 times compared to 2000. And debt in Latin America & Caribbean region increased the lowest with about 2.88 times (Figure 1).

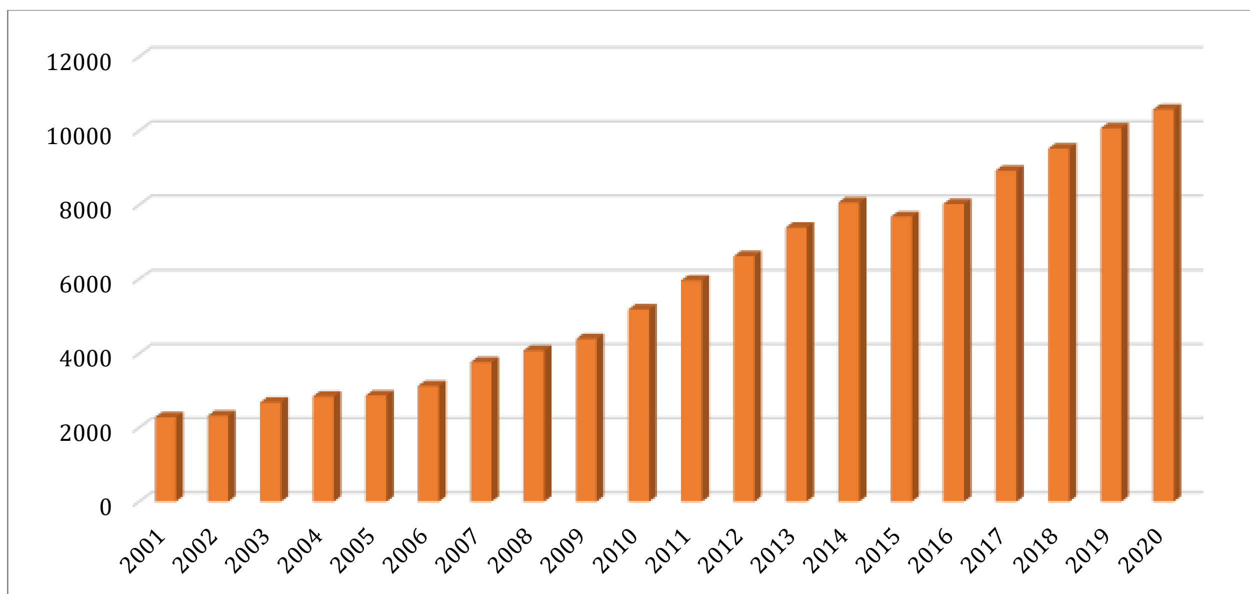

FIGURE 2: External debt of developing countries (Billion USD)

Source: *World Bank, IMF and from developing countries*

Debts increased rapidly during this period in developing countries due to the following reasons: insufficient international public financial flows and limited access to concessional resources. Several developing economies have increasingly leveraged their financing on the terms of trade in international financial markets. These countries have also opened their domestic financial markets to foreign investors. It also allows citizens and their businesses to borrow or invest abroad. Especially, after the economic recession in 2008, if developing countries want to restore their economy, they must continue to borrow more (for example, China, the debt-to-GDP ratio of this country increased from 72 % of GDP in 2010 to 255% of GDP in 2018). This has also caused the external debt in developing countries to increase rapidly during this period (Figure 2).

Along with the increase in the size of debt, the production output of developing economies also grew quite rapidly in the period 2001 - 2020. Therefore, in terms of debt level (which is shown by percentage of debt and interest payments/resources that can be mobilized to repay) during this period generally did not increase. For example, although the debt/export ratio fluctuated quite a lot during this period, the years 2004 - 2011 decreased a lot, but by the end of 2020 it will tend to return to the same level as the early 2000s. Debt spending/GNI, interest payment/GNI, interest payment/export hardly changed during this period (Figure 3).

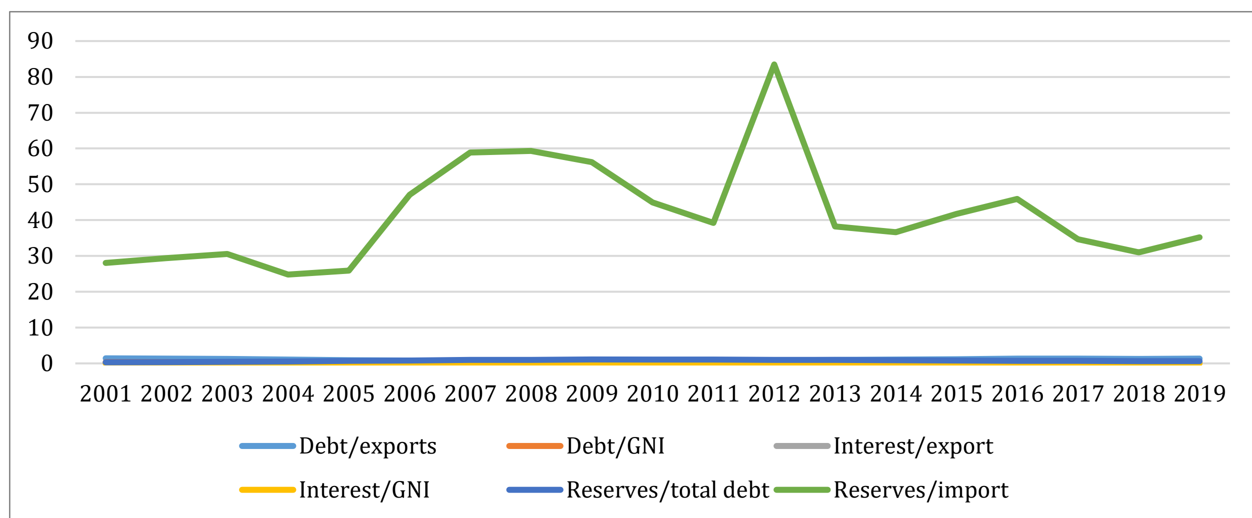

FIGURE 3: Size of debt and of interest payments in developing countries (times)

Source: *World Bank and Thomson Reuters*

(2) Level of external debt

The indicators reflecting the level of debt based on the World Bank's debt classification standards are shown in Table 3.

TABLE 3: Ratio of external debt of developing countries (%)

Area	2009 – 2019 average	2016	2017	2018	2019[a]
All developing countries					
Total external debt/GDP	26.9	28.9	29.1	28.9	29.0
Total external debt/exports [b]	94.8	113.5	110.9	105.1	110.6
Total debt service/GDP	3.2	3.7	3.6	3.8	3.9
Total debt service/exports [b]	11.4	14.7	13.7	13.8	14.6
Total interest/exports [b]	3.5	3.7	4.3	4.5	4.6
High-income developing economies					
Total external debt/GDP	25.4	27.1	27.8	27.9	28.0
Total external debt/exports [b]	88.2	103.5	104.0	101.4	106.3
Total debt service/GDP	3.0	3.6	3.5	3.6	3.7
Total debt service/exports [b]	10.4	13.6	13.2	12.9	13.7
Total interest/exports [b]	3.1	3.8	4.5	4.6	4.9
Middle-income developing economies					
Total external debt/GDP	26.0	27.1	27.8	28.4	28.4
Total external debt/exports [b]	100.3	121.2	117.0	110.5	117.5
Total debt service/GDP	2.8	3.5	3.1	3.3	3.8
Total debt service/exports [b]	11.1	15.6	12.8	13.0	15.6
Total interest/exports [b]	3.5	4.5	5.0	5.0	5.4
Low-income developing economies					
Total external debt/GDP	29.6	32.0	33.3	31.9	33.1
Total external debt/exports [b]	141.6	181.7	170.9	158.8	171.1
Total debt service/GDP	1.2	1.5	1.5	1.7	1.9
Total debt service/exports [b]	6.2	8.6	7.9	8.4	10.1
Total interest/exports [b]	5.0	6.7	7.3	7.1	7.9
Small island developing States					
Total external debt/GDP	55.0	60.7	60.5	60.5	61.7
Total external debt/exports [b]	155.3	171.0	166.9	165.2	172.4
Total debt service/GDP	8.2	6.9	8.6	8.2	8.5
Total debt service/exports [b]	24.7	21.8	23.4	22.9	24.3
Total interest/exports [b]	5.4	6.3	7.2	7.4	7.9
Least developed countries					
Total external debt/GDP	30.3	32.1	31.1	33.9	34.6
Total external debt/exports [b]	129.2	163.1	151.2	148.7	159.8
Total debt service/GDP	1.9	2.2	2.1	2.5	3.1
Total debt service/exports [b]	8.5	11.4	10.3	11.0	14.4
Total interest/exports [b]	4.5	6.0	6.5	6.7	7.4

Source: *United Nations Conference on Trade and Development secretariat calculations, based on World Bank, the International Monetary Fund and national sources.*

Note:
[a] 2019 estimates.
[b] Exports comprise goods, services and primary income.

The data in Table 3 compared with the assessment criteria of the World Bank (Table 2) shows that debt levels in developing countries can still be considered low or moderate. As a result, the level of debt in developing countries, in general, is not at a worrying level. However, the numbers also show higher levels of debt. In other words, the debt situation is becoming more severe in all of these groups of developing countries.

(3) Structure of external debt
The structure of debts also changed during this period. For developing countries in general, the growth rate of the share of short-term loans is faster than that of long-term debt. This has led to an increase in the ratio of short-term debt to long-term debt, especially in East Asia, South Asia and Sub-Saharan Africa (Figure 4). The rapid increase of short-term debt will increase the risk of debt because the repayment period of the debt is getting shorter and shorter.

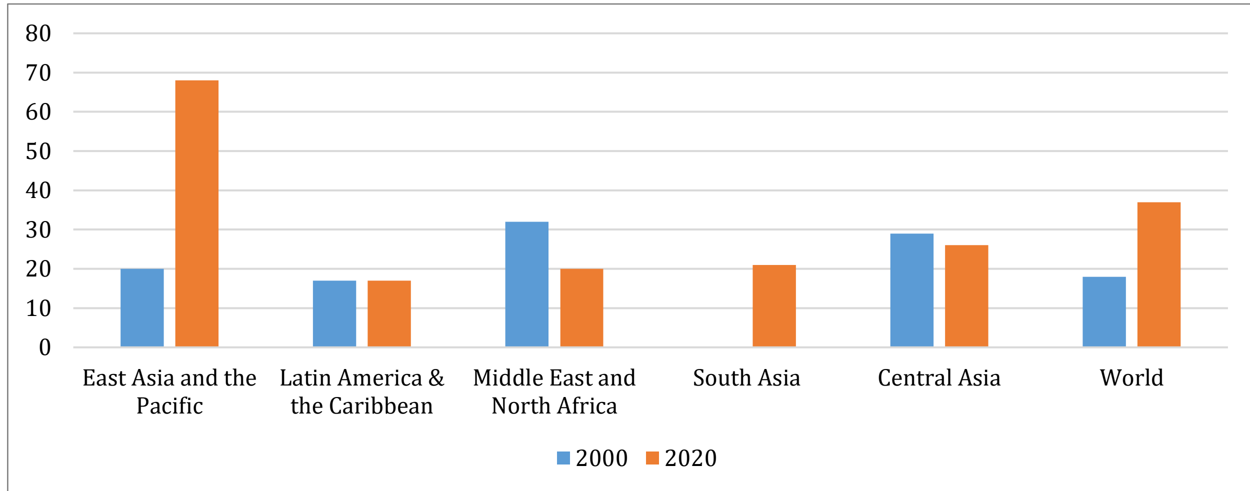

FIGURE 4: Proportion of short-term/long-term debt in developing countries (%)

Source: *World Bank and IMF*

Looking at all developing countries, the ratio of short-term debt to total external debt has increased from 16% in 2000 to 26% in 2020, with a peak of 33% in 2013.

The shift of debt proportion in this period is also shown by the change in the proportion of private debt to government debt.

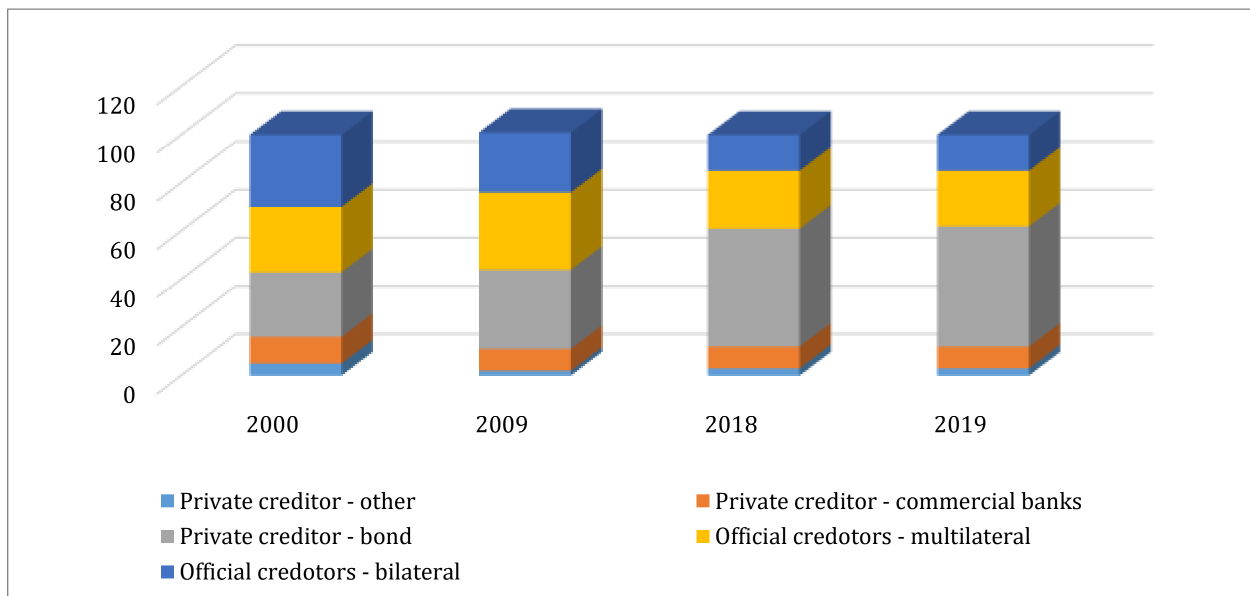

FIGURE 5: Long-term external of public debt (PPG) by creditor, developing economies (percentage of total PPG debt)

Source: *World Bank and IMF*

Figure 5 shows that the share of official debt also tends to increase. In particular, the proportion of official debt lent through bonds has increased rapidly from 27% in 2000 to 50% in 2019. The cause of this problem is debt, which is issued through bonds, has been applied by developing countries more and more recently. In contrast, the share of multilateral and bilateral official debt both decreased.

For long-term debt, the share of loans from private creditors has decreased slightly from 16% in 2000 to 12% in 2020. Based on the experience of debt management in the 1930s or 1980s, years in which debt crises have occurred and have made it very difficult to collect debts from creditors, this trend is inevitable because it can help creditors manage a stricter way of their loans as well as reducing the risk of lending.

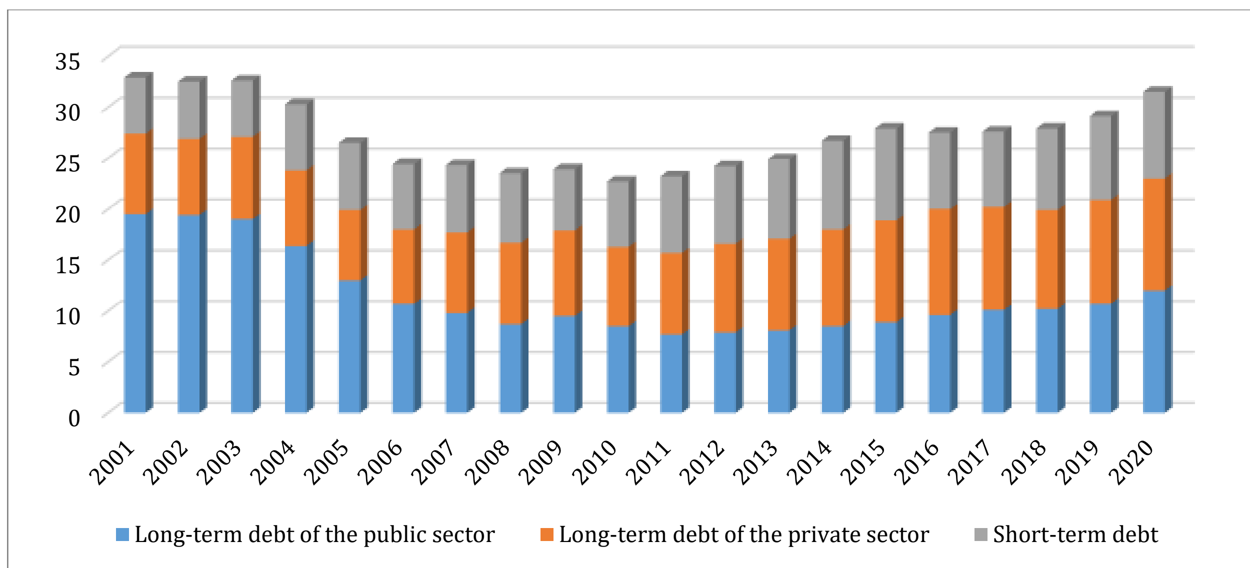

FIGURE 6: Ratio of external debt to GDP in developing countries (%)

Source: *World Bank and IMF*

Another trend of changing debt structure shown in Figure 6 is that private long-term debt tends to increase quite steadily over the years. More precisely, they increased from 7.9% of GDP in 2001 to 11% of GDP in 2020. However, their growth rate accelerated after the global financial crisis began in 2008. Meanwhile, the government's long-term debt declined at a faster rate, from 19.5% of GDP in 2001 to 12% of GDP in 2020.

In view of external debt risks, an increase in private sector debt is likely to carry three main risks. First, private debt, which is denominated in foreign currency, ultimately indicates a requirement for a country's international reserves. This is especially so in cases where these private institutions are unable to secure their foreign currency liabilities against their foreign currency assets. Second, even in the case of private domestic debt held by external creditors, a sudden reversal in external credit flows is likely to undermine debt sustainability. Third, high domestic private debt (issued in local currency and held by citizens) presents a potential liability for public sector finance because there will be widespread bankruptcies with the occurrence of exogenous shocks, or may cause the borrower's creditworthiness to decline systematically. Thus, in general, this is probably a sign of increasing foreign debt stress.

Figure 6 also shows that the ratio of short-term debt to GDP increased during this period from 5.5% of GDP in 2001 to 8.5% in 2020. With this trend, creditors can recover loans faster as well as reduce the risk of their loans, but it will also increase the risk of borrowers.

(4) Liquidity of foreign debt

The data in Figure 7 show no significant change in the ratio of international reserves to total debt between 2001 and 2019. In contrast, the ratio of international reserves to imports has been quite volatile. Thus, in general, the liquidity of foreign debt in developing countries has improved in this period, although it is almost insignificant. In Figure 8, the decline in the ratio of debt services to long-term government debt between 2001 and 2010 is followed by an increase in this ratio.

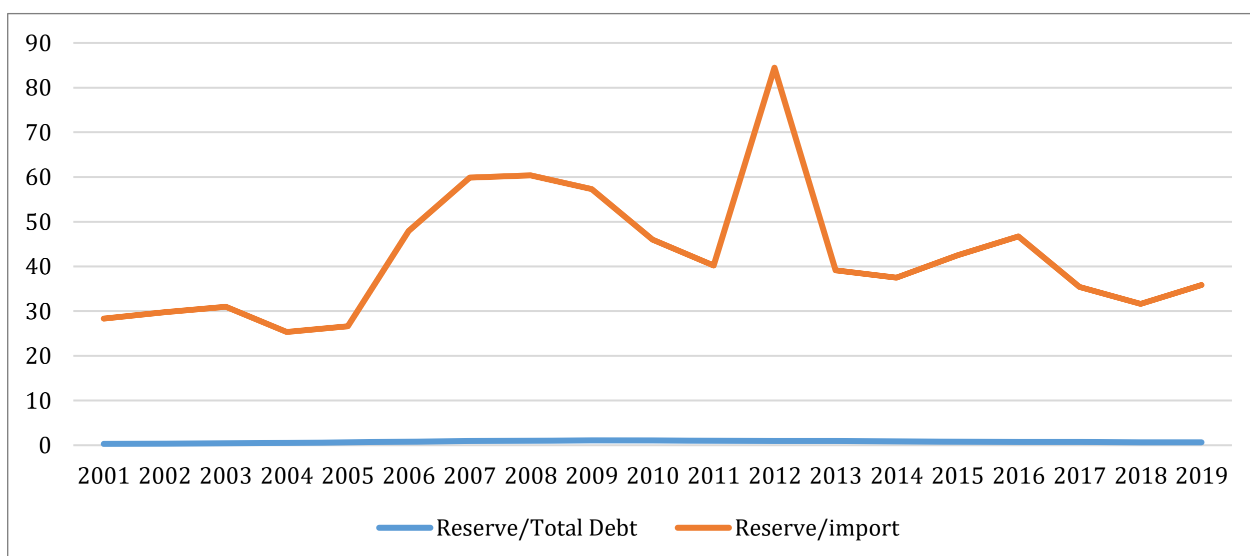

FIGURE 7: Liquidity of foreign debt in developing countries (times)

Source: *World Bank and Thomson Reuters*

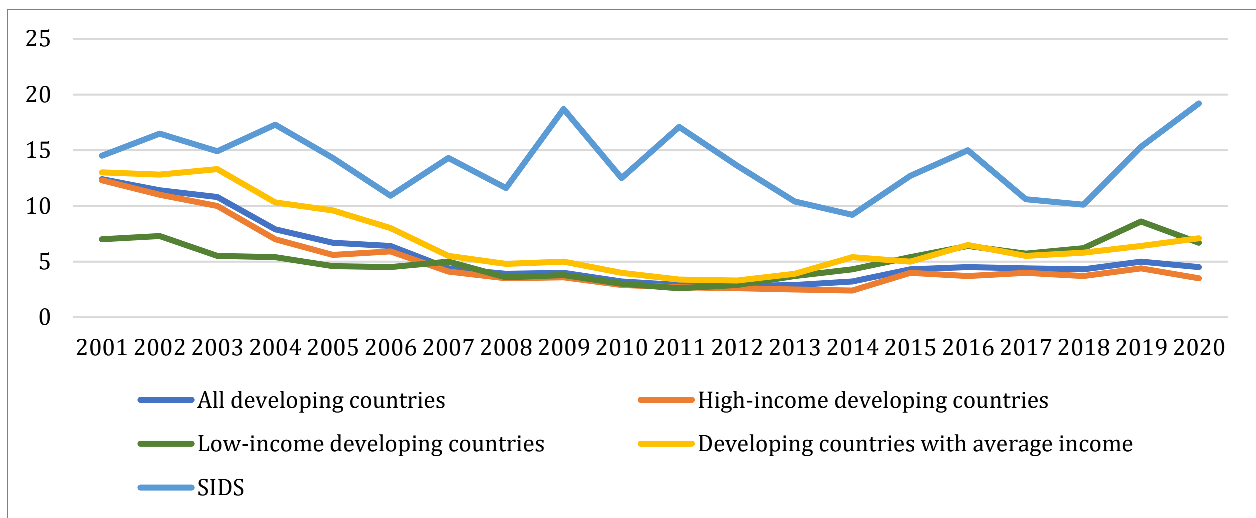

FIGURE 8: The ratio of debt services to long-term government debt in DCs.

Source: *World Bank and IMF*

For short-term debt, the data in Table 4 shows that the reserves used to cover short-term liabilities have also decreased. In contrast, the ratio of payment services for public debt and publicly guaranteed debt to government revenue, which is considered a source of debt repayment, gradually increased in the period from 2009 to 2019.

This also shows that the ability to pay debts has declined. And therefore, the pressure of debt repayment is gradually increasing in developing countries in recent times.

TABLE 4: Liquidity of foreign debt (%)

Area	2009 – 2019 average	2016	2017	2018	2019
All developing countries					
Reserves/short-term debt	354.6	334.0	302.5	273.6	278.8
Debt service on public and publicly guaranteed debt/government revenue	3.7	4.2	4.1	4.5	4.7
High-income developing economies					
Reserves/short-term debt	329.9	311.2	275.0	244.3	245.7
Debt service on public and publicly guaranteed debt/government revenue	2.7	3.0	3.2	3.1	3.0
Middle-income developing economies					
Reserves/short-term debt	464.7	418.9	405.5	385.5	402.3
Debt service on public and publicly guaranteed debt/government revenue	6.3	7.7	6.7	7.4	8.9
Low-income developing economies					
Reserves/short-term debt	658.3	509.8	561.0	564.5	641.7
Debt service on public and publicly guaranteed debt/government revenue	5.3	6.6	6.6	8.1	7.9
Small island developing States					
Reserves/short-term debt	235.0	208.4	205.3	200.8	208.8
Debt service on public and publicly guaranteed debt/government revenue	9.7	13.5	11.1	9.8	10.0
Least developed countries					
Reserves/short-term debt	404.1	406.1	379.6	414.8	449.2
Debt service on public and publicly guaranteed debt/government revenue	8.5	10.8	9.2	11.7	17.2

Source: *United Nations Conference on Trade and Development secretariat calculations, based on World Bank.*

(5) Distribution of external debt

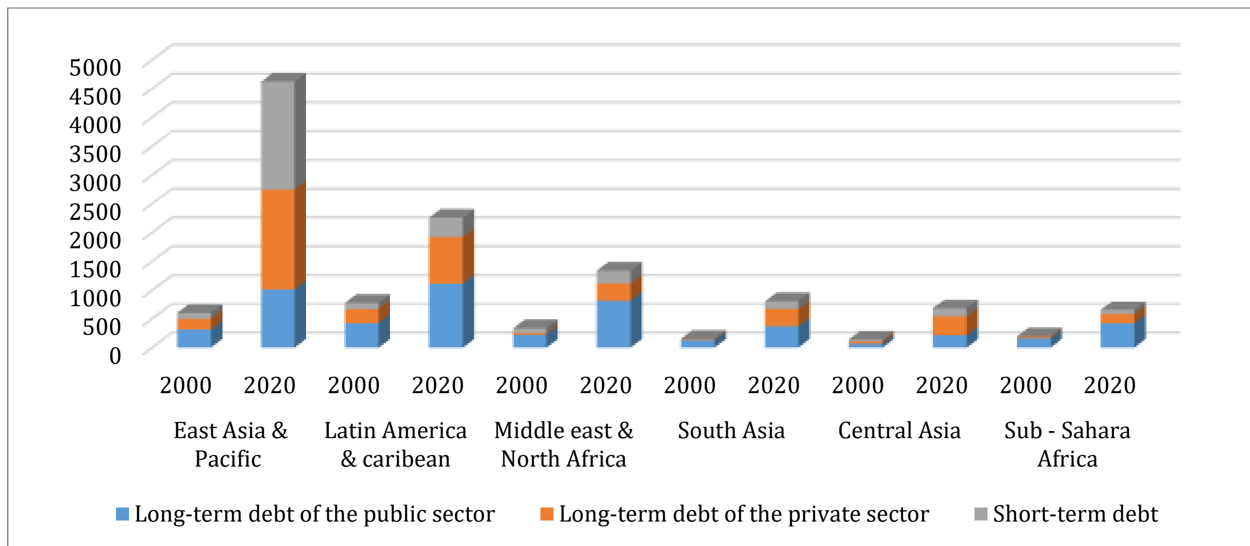

FIGURE 9: External debt in developing countries by regions (Billion USDs)

Source: *World Bank and IMF*

As shown in Figures 2 and 9, Asia is already the region with the most debt and also the fastest growing debt, especially in East Asia. The reason for this is probably because the Asia region has been the fastest growing region in the past two decades. So, they need a lot of capital for economic development. At the same time, creditors also see a higher growth potential in Asia than in Latin America and Africa.

(6) Conditions of foreign debt

As discussed above, since 1982, with the aim of minimizing risks in both debt management and capital recovery, for loans from foreigners, lenders have had control stricter loan terms.

In Vietnam, the government has also made adjustments to have stricter and safer management of foreign debts, especially those that are not guaranteed by the government. This is specified in Circular No. 12/2014/TT-NHNN dated March 31, 2014 which contains provisions on the limits that allow borrowing of foreign debts that are not guaranteed by the government. However, according to those adjustments, loan conditions are also loosened. Typically, in the period from 2001 to 2020, the interest rate on foreign debt in developing countries tends to be lower. As a result, it has partly reduced the payment pressure for the debtor (details are shown in Figure 10).

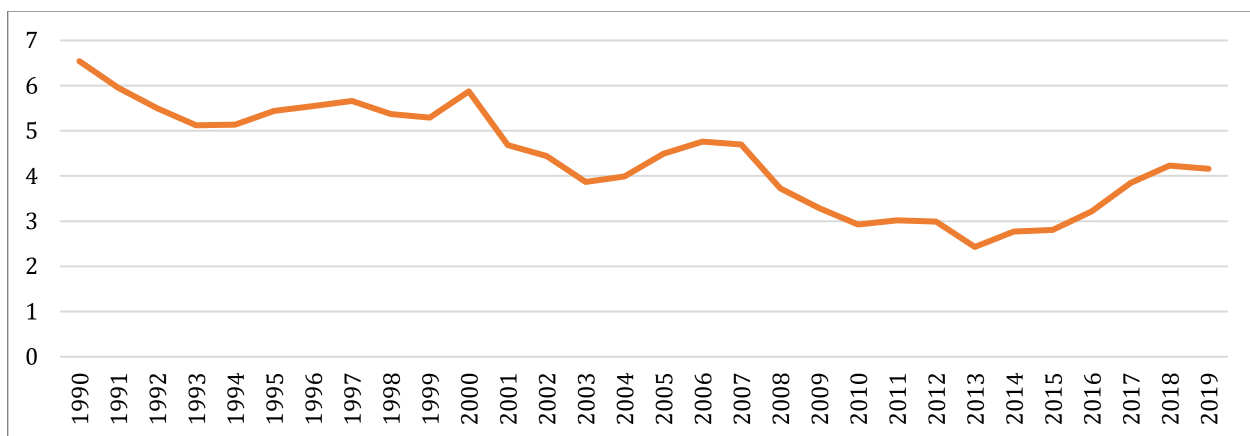

FIGURE 10: Interest rate on foreign debt (for new loans) in developing countries (%)

Source: *Thomson Reuters*

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

In the context of the lack of domestic capital, it is not possible to meet the increasing capital demand in developing countries. Along with that, international public financial flows are inadequate and opportunities to access preferential resources are limited. In order to develop their economy, some developing economies have increasingly had to access capital in the international financial market. They have also opened up the domestic financial market to non-resident investors and have also allowed their citizens and businesses to borrow or to invest abroad.

Because of these policies, foreign debt has increased rapidly in the period from 2001 to 2020 in developing countries. The scale of external debt, which is growing rapidly, indicates that developing countries have improved their capacity to access international financial markets. From there, countries where capital was scarce were able to quickly raise the necessary funds. Along with the benefits of these debts, those countries have also faced a higher probability of exposure to debt risks. Such risks could be: shorter maturities, more volatile financing costs as well as an abrupt reversal by the private sector, as its share of total external debt has gradually increased.

Summarizing from the above analysis results, we can see that the new manifestations of external debt in developing countries are:

First, although the size of total debt increased rapidly, the size of debt/GNI in all developing countries seems to have remained unchanged during this period. Thereby, it can be seen that the level of debt risk has not changed significantly.

Second, the structure of foreign debts has changed as follows:

- Short-term debt has grown faster than long-term debt.
- The growth rate of multilateral debt is higher than that of bilateral debt.
- Private debt increased more than government debt.
- The proportion of official bond debt has also increased gradually over time.

Third, foreign loans have shifted sharply to Asian countries, especially East Asia.

Fourth, the liquidity of foreign debts in developing countries became worse in the period from 2013 onward, which shows that debt risk has increased but not much.

In summary, although the indicators that reflect the level of debt and the indicators of liquidity have not changed, the size of external debt in developing countries increased rapidly between 2001 and 2020. If we only consider debt size, it also shows that debt risk seems to be maintained during this time. However, a change in debt structure in which short-term debt grew faster than long-term debt will increase debt pressure. These pressures, combined with the sudden emergence of exogenous shocks such as natural disasters, pandemics or waves of political instability, will make a country's external debt burden (which can now be considered sustainable) becomes unsustainable in the near future. So, in the conditions that the Covid-19 epidemic is raging and protracted around the world, it is believed that there is a possibility of another debt crisis, especially in developing countries.

Recommendations

For governments, it is necessary to improve policies on public debt management and deploy proactive and effective debt management tools. For private debt, the government is required to develop loan conditions to ensure that the debt is used efficiently, for its intended purpose and to ensure its solvency. At the same time, the government should also design policies to help private organizations to access loans from reputable institutions with favorable terms for borrowers. For government debt, it is necessary to develop specific disbursement policies to ensure that loans are effectively used within safe limits.

For private institutions that borrow money, there should be a policy so that the loan is used effectively as well as a specific plan to repay the loan or interest. And above all, it is necessary to ensure that the loan is within safe limits.

For borrowers, they should carefully consider loan conditions as well as choose a lending institution with the most favorable loan terms. In addition, they should also develop specific policies for the effective use of loans. At the same time, it is necessary to have a specific plan and ensure the feasibility of paying due debt or interest.

For lenders, with the goal of ensuring debt recovery, they should design clear and tight binding loan conditions to screen borrowers.

REFERENCES

[1] Caliari, A. (2006). The New World Bank/IMF Debt Sustainability Framework. A Human Development Assessment. Background Paper prepared for the CIDSE/CI Working Group on Resources for Development.

[2] Cassimon, D., & Vaessen, J. (2007). Theory, practice and potential of debt for development swaps in the Asian and Pacific region. Economic Systems, 31(1), 12-34.

[3] Claessens, S. (1990). The debt laffer curve: Some estimates. World Development, 18(12), 1671-1677.

[4] Easterly, W. (2002). How did heavily indebted poor countries become heavily indebted? Reviewing two decades of debt relief. World development, 30(10), 1677-1696.

[5] Elkhishin, S., & Mohieldin, M. (2021). External debt vulnerability in emerging markets and developing economies during the COVID-19 shock. Review of Economics and Political Science.

[6] Ferrarini, B. (2008). Proposal for a contingency debt sustainability framework. World Development, 36(12), 2547-2565.

[7] IMF. (2000). Debt- and reserve-related indicators of external vulnerability. http://www.imf.org/external/np/pdr/debtres/debtres.pdf.

[8] IMF., & World Bank. (2006). Applying debt sustainability framework for low-income countries post debt relief.

[9] Loser, C. M. (2004). External debt sustainability: guidelines for low-and middle-income countries. (Vol. 26). UN.

[10] Manasse, P., & Roubini, N. (2009). "Rules of thumb" for sovereign debt crises. Journal of International Economics, 78(2), 192-205.

[11] Muhanji, S., & Ojah, K. (2011). Management and sustainability of external debt: A focus on the emerging economies of Africa. Review of Development Finance, 1(3_4), 184-206.

[12] Semmler, W., & Sieveking, M. (2000). Critical debt and debt dynamics. Journal of Economic Dynamics and Control, 24(5-7), 1121-1144.

[13] Yang, J., & Nyberg, D. (2009). External debt sustainability in HIPC completion point countries: An update. International Monetary Fund.