DEBT SUSTAINABILITY RATIOS

INDICATOR OF	RATIOS	CRITICAL VALUE				
		Enhanced HIPC Initiative	Historically unsustainable levels*	Debt Sustainability Framework Indicators*** Assessment of institutional strengthen and quality of policies		
EXTERNAL DEBT				**Strong**	**Medium**	**Poor**
Liquidity burden	1. Total external debt service (TDS)/Exports of goods and services (XGS), or "Debt service ratio" Assesses the proportion of export earnings needed to pay debt service	15% - 20%**	13%	25%	20%	15%
	2. Total external debt service (TDS)/Domestically generated budget revenue (DBR), or "Budget service ratio" Measures government's ability to finance debt service from domestic sources		12%	35%	30%	25%
Solvency	3. Present value of external debt (PV)/XGS Measures today's cost of external debt service burden in terms of the ability to repay from exports	150%	140%	200%	150%	100%
	4. Present value of external debt (PV)/DBR Assesses today's cost of debt service compared to government's ability to repay from domestic sources	250%	151%	300%	250%	200%
	5. Present value of external debt (PV)/GDP Assesses today's cost of debt service compared to the level of the national economy			50%	40%	30%
DOMESTIC DEBT						
Liquidity burden	6. Total domestic debt service (TDS)/DBR Measures government's ability to finance domestic debt service from domestic sources		28%			
Solvency	7. Present value of domestic debt (PV)/DBR Assesses today's cost of domestic debt service compared to government's ability to repay from domestic sources		88%			
	8. Nominal domestic debt stock/GDP Measures stock of domestic debt relative to the national economy			significantly above 15% - 20%		
TOTAL DEBT						
Liquidity burden	9. Total debt service (TDS)/DBR Measures government's ability to finance external and domestic debt service from domestic sources		40%			
Solvency	10. Present value of total debt (PV)/DBR Assesses today's cost of total external and domestic debt service compared to government's ability to repay from domestic sources		239%			

Note: A country is eligible for the HIPC Initiative if, after Naples Terms (67% stock reduction) by the Paris Club, EITHER its PV/XGS ratio (Ratio 3) exceeds 150% OR its PV/DBR (Ratio 4) exceeds 250%. To be eligible on the fiscal criterion, a country must have exports/GDP of more than 30% AND revenue/GDP greater than 15%.

* Based on studies conducted by DRI. For domestic and total debt, the bottom of the range is the average of HIPC countries with no arrears and the top of the range is the average for HIPCs with payment arrears.

** Expected to fall within or below this range by the Completion Point.

*** For more information see Debt Sustainability Indicators note on www.hipc.org.uk